THE

HISTORY AND PRINCIPLES

OF

BANKING

BY

JAMES WILLIAM GILBART,

GENERAL MANAGER OF THE LONDON AND WESTMINSTER BANK.

THIRD EDITION

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PREFACE.

THIS book was not written to applaud or censure the acts of any statesman; to attack or defend any existing banking establishment; to advance or refute any new theory respecting the currency. It aims not to instruct the members of the cabinet, nor to guide the counsels of the senate. Its only aim is to impart useful knowledge to the public at large.

Banking is both an art and a science. As an art it is a branch of trade intimately connected with every man's business; as a science, it forms an important portion of political economy. The knowledge of banking as an art, is acquired like that of other arts, by serving an apprenticeship, or engaging practically in its operations. The knowledge of banking, as a science, may be acquired like that of other sciences, by reading, observation, and reflection. These two branches of knowledge do not always accompany each other. Some, who are practically engaged in banking, do not study its principles; while those who have written upon its principles have, for the most part, been political economists and statesmen, who were unacquainted with its practical details. This publication will, perhaps, be thought worthy of some degree of attention, upon the ground that it professes to be a scientific work, written by a practical man.

This book may be considered as a grammar of banking. The general reader may here acquire a competent knowledge of most of the facts and principles connected with the subject: and those who wish for a more extensive reading, would do well to begin with this work, and then proceed to the perusal of those excellent pamphlets and treatises which have been written upon detached and controversial portions of the science. "The best way to learn any science," says Dr. Watts, "is to begin with a regular system; or a short and

plain scheme of that science, well drawn up into a narrow compass." "If a man deals always, and only, in essays and discourses on particular parts of a science, he will never obtain a distinct and just idea of the whole; and may perhaps omit some important portion of it, after seven years' reading of such occasional discourses."

J. W. G.

9. Waterloo Place, Jan. 31. 1831.

PREFACE TO THE SECOND EDITION.

The chief advantage which this edition possesses over its predecessor consists in having an index. This is framed so as to give facility of reference, and to bring together in one view those observations that may bear upon the same subject, though occurring in different parts of the volume. After a careful perusal of the work, the reader may recall to his mind most of its facts and principles by an occasional inspection of the index.

J. W. G.

38. Throgmorton Street, April 22. 1835.

PREFACE TO THE THIRD EDITION.

In this edition I have added only a few pages, necessary to bring the historical part down to the present period. As I wish this to be a standard work upon the subject, I have not enlarged upon matters of mere temporary interest. The facts and principles of this volume will remain perfectly unaffected by any change that may take place in the form of our banking institutions.

J. W. G.

38, Throgmorton Street, June 12. 1837.

NOTICES OF THE FIRST EDITION.

"A WORK likely to be extensively useful at this period has just appeared, entitled 'The History and Principles of Banking.' By *James William Gilbart.* The author's object has been not to advance any theories of his own, but to make the reader acquainted with the facts and principles of the question as deduced from the existing practice. In this, his long experience must make him a very competent guide. The numerous claims on our crowded columns prevent our giving a fuller notice of the work, the recommendation of which may be summed up in his own phrase — that it is a 'Grammar of Banking.'" — *Times, Feb.* 20. 1834.

"This work may be advantageously consulted for a practical knowledge of banking in all shapes from the Bank of England down to loan banks, and the new law to facilitate the purchase of small annuities. It should also be added that a variety of tables are contained in the volume, not mere transcripts from official documents, but intelligible recasts by a man of business. So far as we are able to judge by inspection, they seem to have the rare merit of containing what is wanted and nothing more." — *Spectator, Feb.* 15. 1834.

"Combining a clear appreciation of the science of banking with the best practical knowledge of his business, we have seen no work on this subject which better deserves to be consulted and studied than Mr. Gilbart's volume." — *Literary Gazette, Feb.* 22. 1834.

"Mr. Gilbart claims for his book that it contains both features (theory and practice), and is a scientific work written by a practical man. His claims appear to be fully borne out by the perspicuity of his views and the analytical spirit in which he treats the subject. He is fully master of the details, and ascends with equal ease to the examination of the elementary principles. His account of the

nature of joint stock banks, of branch banks, of deposit, remittance, circulation, and discount, of cash credit, loan and savings banks, will be found by men of business to be of considerable value for reference."—*Atlas, Feb.* 23. 1834.

"We have been highly pleased with its agreeable and instructive character; and we think that no man connected with trade should be without this book."—*Monthly Review, May* 1834.

"As the author most truly says in his preface, the aim of this book is to impart useful knowledge. Those who are ignorant of the art or rather science of banking (for banking may be considered as a science in political economy) will here obtain a knowledge of facts and principles which will sufficiently enlighten their minds on the subject, and they will have the good fortune of not having principles instilled which may lead them into error. The question of currency, cash payments, &c., which have been such a source of labyrinthic litigation, are not mooted. It is a clear well written work, and must have been written by a person endowed with a lucid head and an impartial mind."—*Metropolitan Magazine, August* 1834.

"A more complete and accurate work, with less irrelevant matter, we never read."—*Gentleman's Magazine, October* 1834.

"We have before us a most interesting work, from the pen of Mr. Gilbart, entitled 'The History and Principles of Banking.' This subject, which is generally considered abstruse and recondite, has been, by the pen of Mr. Gilbart, rendered so plain, that the most ordinary capacity may easily comprehend it. It requires such a man as the manager of the London and Westminster Bank to produce this work. A speculative theorist, no matter how acute his intellect, must have failed in presenting us with those

forcible details which belong only to the practical man; whilst, to the mere man of business, that power of combination and mastery of language must have been wanting, which the literary abilities of Mr. Gilbart have enabled him to bring to bear upon the subject.

"The peculiar interest which it possesses is owing, as the author truly states in his preface, to the circumstance of its being a scientific work, written by a practical man. The subject of Banking, at all times of such importance to a mercantile country, possesses paramount claims to attention at the present moment, when two fresh bodies of *Argentarii* have come into the field to bear away whatever spoil may have escaped the hands of the veteran campaigners. 'The History and Principles of Banking' should be in the hands of every man who wishes to be acquainted with the manner in which the money transactions of this great country are carried on."— *Waterford Chronicle, June* 9. 1836.

WORKS

PUBLISHED BY THE SAME AUTHOR.

1. A PRACTICAL TREATISE ON BANKING. Fourth Edition. Price 6s.

"A valuable and useful little work." — *Mr. M'Culloch's Smith's Wealth of Nations.*

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"It gives a very clever and succinct account of the history of Banking in Ireland." — *Monthly Review, July,* 1835.

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3. THE HISTORY OF BANKING IN AMERICA: With an Inquiry how far the Banking Institutions of America are adapted to this Country, and a Review of the Causes of the recent Pressure on the Money Market. Price 7s.

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THE HISTORY AND PRINCIPLES OF BANKING

SECTION I.

THE ORIGIN AND PROGRESS OF BANKING.

An eminent historian observes, that, "it is a cruel mortification, in searching for what is instructive in the history of past times, to find that the exploits of conquerors who have desolated the earth, and the freaks of tyrants who have rendered nations unhappy, are recorded with minute and often disgusting accuracy, while the discovery of useful arts and the progress of the most beneficial branches of commerce are passed over in silence, and suffered to sink into oblivion."* This remark is strictly applicable to the origin and progress of banking. We have but little information as to what kind of banks existed in the earlier ages, or on what system they conducted their business. As most of the nations of antiquity subsisted chiefly on agriculture, they probably had little occasion for banks; for it is only in commercial countries that these institutions have attained to any

* Robertson's Historical Disquisition on India, page 46.

high degree of prosperity. And as even the commercial nations of antiquity were unacquainted with joint stock companies or commercial corporations, and had not discovered the use of paper-money or bills of exchange, the business of a banker, even among them, must have been somewhat different from that of a banker of the present day. The merchants of those early times employed as money gold and silver bullion; and received it and paid it away by weight. It is probable that the merchants would require that the precious metals they received should be of a certain degree of fineness. We read of Abraham* weighing unto Ephron 400 shekels of silver, *current money with the merchant*—a phrase which implies that the money current with the merchant was different from that in ordinary use.

After bullion was superseded by coin, and each nation had a coin of its own, the merchants would necessarily in the course of their business receive coins belonging to different nations, and hence would be applied to by strangers who wished to exchange their own money for the money of the country in which they sojourned. This would take place more particularly in those oriental countries whose inhabitants were accustomed in certain seasons to meet together for the celebration of public festivals. We read in the New Testament† of money-changers who had tables in the Temple of Jerusalem. It is probable they attended for the purpose of giving Jewish money in exchange for those various coins which persons coming from the neighbouring countries might have brought with them. Whether the business of money-changing was carried on as a separate employment, or united with the general business of a merchant, we are not informed; but it is stated that the exchangers allowed interest for money lodged in

* Genesis xxiii. 16. † Matthew xxi. 12.

their hands—"Thou wicked and slothful servant, thou oughtest to have put my money to the exchangers, and then at my coming I should have received mine own with usury."* From the circumstance of their allowing interest on money, we may infer that they also lent money on interest; otherwise they would have had no use for the money they borrowed. This scanty information forms the whole of our knowledge respecting the mode of banking practised by the ancient Babylonian, Egyptian, and Jewish nations.

With respect to the bankers of Greece we have more ample details.

In Greece the first banks were the temples.

"The wealth and growing estimation of Delphi had also another source, of which information remains only so far as to assure us of the fact with far less explanation of circumstances than for its importance might be desired. In the general insecurity of property in the early ages, and especially in Greece, it was highly desirable to convert all that could be spared from immediate use into that which might more easily be removed from approaching danger. By a compact, understood among men, with this view the precious metals appear to have obtained their early estimation. Gold then and silver having acquired their certain value as signs of wealth, a deposit secure against the dangers continually threatening not individuals only but every town and state in Greece, would be a great object of the wealthy. Such security offered nowhere in equal amount as in those temples, which belonged not to any single state, but were respected by the common religion of the nation. The priesthood, not likely to refuse the charge, would have a large interest in acquiring the reputation of fidelity to it. Thus Delphi appears to have become the great bank of Greece, perhaps before Homer, in whose time its riches seem to have been already proverbial. Such then was found the value of this institution, that when the Dorian conquerors drove so large a part of the Greek nation into exile, the fugitives who acquired new settlements in Asia established there their own national bank, in the manner of that of their former country, recommending it to the protection of the same divinity. The Temple of Apollo, at Branchidæ, became the great depository of the wealth of Ionia."†

* Matthew xxv. 27.

† Mitford's History of Greece, vol. i. page 193.

Afterwards the temple of Olympia, like that at Delphi, became an advantageous repository for treasure. But, although the temples discharged one of the offices of banks, by being places of security, yet as they did not grant interest on the money deposited, they did not supersede banks of deposit established by private individuals. At Athens especially, banking was a flourishing trade.

"The greater part of the Athenians employ their money in trade, but they are not permitted to lend it for any place but Athens. They receive an interest for the use of it which is not fixed by the laws, but stipulated in a contract, deposited either in the hands of a banker, or some friend to both parties. If, for instance, a voyage is to be made to the Cymmerian Bosphorus, the instrument specifies the time of the departure of the vessel, the kind of commodities with which she is to be freighted, the sale which is to be made of them in the Bosphorus, and the merchandise which she is to bring back to Athens; and, as the duration of the voyage is uncertain, some agree that their money shall not be payable till the return of the vessel; while others more timid, and contented with a less profit, require that it shall be repaid at the Bosphorus immediately after the sale of the goods carried out; in which case they either themselves repair to the place where they are to receive it, or send thither some person in whom they can confide, and whom they empower to act for them.

"The lender has his security, either on the merchandise or the goods of the borrower; but as the dangers of the sea are in part risked by the former, and the profit of the latter may be very considerable, the interest of money thus lent may rise as high as thirty per cent., more or less, according to the length and hazards of the voyage.

"The usury of which I have spoken is known by the name of maritime; that called landed is more oppressive, and no less variable.

"Those who, without risking the dangers of the sea, wish to derive profit from their money, lend it to bankers at the rate of twelve per cent. per annum, or rather one per cent. for every new moon. But as the laws of Solon do not prohibit those who have money from demanding the most extravagant interest for it, some persons receive more than sixteen per cent., and others, especially among the lower classes of people, exact every day the quarter of the principal. These extortions are not concealed, and cannot be punished, except by public opinion, which condemns, but does not sufficiently despise those who are guilty of them.

"Commerce increases the circulation of wealth, and this circulation has given birth to the occupation of bankers, which facili-

tates it still more. A person who is about to make a voyage, or who fears to keep by him too great a sum of money, lodges it in the hands of these bankers, sometimes only as a trust and without requiring any interest, and sometimes on condition of sharing with them the profit it shall produce. They advance money to generals who go to take on them the command of armies, or other individuals who stand in need of their assistance.

"In the greater part of bargains made by them, no witness is required: they content themselves with entering in a register that such a person has deposited in their hands such a sum, which they must repay to such another, if the former should happen to die. It would sometimes be very difficult to prove that they have received a sum of money, were they to deny it; but if they should expose themselves to such a charge more than once, they would lose the confidence of the public, on which depends their success in the business in which they are engaged.

"By employing the money deposited in their hands, and lending it at a greater interest than they are to pay for it, they amass riches which gain them friends, whose protection they purchase by assiduous services. But all is lost when, unable to call in their money, they are incapable of fulfilling their engagements. They are then obliged to conceal themselves, and can only escape the severity of justice by surrendering all their remaining property to their creditors.

"Those who wish to exchange foreign money, apply to the bankers, who by different means, as the touchstone and the balance, examine whether they are not adulterated or deficient in weight."*

In a treatise published by Xenophon upon the Athenian revenue, we meet with the first suggestion for the establishment of a joint stock bank.

"A very remarkable project, which seems to have been original with Xenophon, next occurs, — the establishment of a bank by subscription, open to all the Athenian people. The interest of money it appears was enormous at Athens, an unavoidable consequence of the wretched insecurity of person and property. Throughout modern Europe, land is of all property esteemed the safest source of income; but in Greece it was held that the surest return was from money lent at interest. For in the multiplied division of Greece into small republics with very narrow territories, the produce of land was continually liable to be carried off or destroyed by an invading enemy; but a monied fortune, according to Xenophon's observation, was safe within the city walls. In proportion, then, to the interest of money and the insecurity of all things, the

* See Travels of Anacharsis in Greece, by the Abbé Barthelemy, and the authorities there referred to.

profits of trade will always be high, and thus numbers would be induced to borrow, even at a high interest. Xenophon therefore proposed, by lending from the public stock and encouraging commercial adventure by just regulations, to raise a great revenue; and, by the same means, instead of oppressing, to enrich individuals. As a corollary, then, to his project, when the amount of the subscription or its profits might allow, he proposed to improve the ports of Athens, to form wharfs and docks, to erect halls, exchanges, warehouses, market-houses, and inns, for all which tolls and rents should be paid; and to build ships to be let to merchants. Thus, while numbers of individuals were encouraged and enabled to employ themselves for their private benefits, the whole Athenian people would become one great banking company, from whose profits every member, it was expected, would derive at least an easy livelihood."*

At Rome, the bankers were called *Argentarii*, *Mensarii*, *Numularii*, or *Collybistæ*. The banking-houses or banks were called *Tabernæ*, *Argentariæ*, or *Mensæ Numulariæ*. Some of these bankers were appointed by the government to receive the taxes, others carried on business on their own account. Their mode of transacting business was somewhat similar to that which is in use in modern times. Into these houses the state or the men of wealth caused their revenues to be paid, and they settled their accounts with their creditors by giving a draft or cheque on the bank. If the creditor also had an account at the same bank, the account was settled by an order to make the transfer of so much money from one name to another. To assign over money, or to pay money by a draft, was called *perscribere* and *rescribere*; the assignment or draft was called *attributio*. These bankers, too, were money-changers. They also lent money on interest, and allowed a lower rate of interest on money deposited in their hands. In a country where commerce was looked upon with contempt, banking could not be deemed very respectable. Among most of the ancient agricultural nations, there was a prejudice against the

* Mitford's History of Greece, vol. iv. page 22.

taking of interest for the loan of money. Hence the private bankers at Rome were sometimes held in disrepute, though those whom the government had established as public cashiers, or receivers-general, as we may term them, held so exalted a rank that some of them became consuls.*

The Romans had also loan banks, from which the poor citizens received loans without paying interest. We are told that the confiscated property of criminals was converted into a fund by Augustus Cæsar, and that from this fund sums of money were lent without interest to those citizens who could pledge value to double the amount. The same system was pursued by Tiberius. He advanced a large capital, which was lent for a term of two or three years to those who could give landed security to double the value of the loan. Alexander Severus reduced the market rate of interest by lending sums of money at a low rate, and by advancing money to poor citizens to purchase lands, and agreeing to receive payment from the produce.

After commerce and the arts had revived in Italy, the business of banking was resumed. The word bank is derived from the Italian word *Banco*, a *bench* — the Jews in Lombardy having benches in the market-place for the exchange of money and bills. When a banker failed, his bench was broken by the populace; and from this circumstance we have our word *bankrupt*. Though the States of Venice and Genoa made the most rapid advances in commerce, and established public banks, yet the department of banking appears to have fallen more particularly into the hands of the Florentines. "As the Florentines did not," like the Venetians and the Genoese, "possess any commodious seaport, their active exertions were directed chiefly towards the improvement of their

* See Beckman's History of Inventions, vol. iii. page 19.

manufactures and domestic industry. About the beginning of the fourteenth century, the Florentine manufacturers of various kinds, particularly those of silk and woollen cloth, appear from the enumeration of a well-informed historian, to have been very considerable. The connection which they formed in different parts of Europe, by furnishing them with the productions of their own industry, led them to engage in another branch of trade, that of banking. In this they soon became so eminent that the money transactions of almost every kingdom in Europe passed through their hands, and in many of them they were intrusted with the collection and administration of the public revenues. In consequence of the activity and success with which they conducted their manufactures and money transactions—the former always attended with certain though moderate profit, the latter lucrative in a high degree, at a period when neither the interest of money nor the premium on bills of exchange was settled with accuracy — Florence became one of the first cities in Christendom, and some of its citizens extremely opulent."* Cosmo di Medici was reckoned the most wealthy merchant ever known in Europe; and in a treaty whereby Lewis XI. engaged to pay Edward IV. fifty thousand crowns annually, it was expressly stipulated that the King of France should engage the partners of the Bank of Medici to become bound for the faithful and regular performance of this agreement on the part of himself and his heirs.†

Although the business of banking has probably always been carried on by private individuals before it has been carried on by a public company, yet most countries have found it useful to establish a public or national bank. Some of these banks have been

* Robertson's Disquisition on India, page 113.
† Macpherson's History of Commerce, vol. i. page 698.

founded for the purpose of facilitating commerce, others to serve the government.

The most ancient bank was that of Venice. It is supposed to have been established in 1157.* The state being involved in debt, through a long and severe war, the public creditors were formed into a corporation, with peculiar privileges, and the debts were allowed to be transferred from one name to another, much in the same way as our public funds, or the stock of our public banks. It was made a particular regulation that all payments of wholesale merchandize, and bills of exchange, shall be in bank money; and that all debtors and creditors shall be obliged, the one to carry their money to the bank, the other to receive their payments in Banco, so that payments were made by a simple transfer of stock from one account to the other. This bank may be deemed a wonder for the twelfth century, but requiring much alteration to adapt it to the modes and manners of the nineteenth.†

So early as the year 1349, the business of banking was carried on by the drapers of Barcelona, who were probably the most wealthy class of merchants in that city. But by an ordinance of the king of Arragon, they were not allowed to commence this branch of trade until they had first given sufficient security. In the year 1401, a public bank was established by the magistrates, and the city funds were responsible for the money placed in the bank. They exchanged money, received deposits, and discounted bills of exchange, both for the citizens and for foreigners.‡

The bank of Genoa was established in 1407. This bank, like that of Venice, owed its origin to the

* Anderson's History of Commerce, vol. i. p. 156.
† See Montefiore's Commercial Dictionary, article *Bank*.
‡ Macpherson's History of Commerce, vol. i. pp. 540. 612.

debts of the state. Considerable confusion had arisen from the multitude of loans which the republic had contracted with its citizens. These various loans were now formed into one total amount, and made the capital of the bank. This bank was called the Chamber of St. George, and its management was intrusted to eight directors, elected by the proprietors of the stock. As a security for the debt, the state made over to the bank several cities and territories, among which was the port of Caffa and the little kingdom of Corsica.

The bank of Amsterdam was founded in the year 1609. It was occasioned by the vast quantity of worn and clipped coins then in circulation, in consequence of which the value of the currency was reduced above nine per cent. below that of good money fresh from the mint. The bank received these deficient coins at nearly their intrinsic value, and made all its issues in coin of the standard weight and fineness. At the same time a law was made that all foreign bills of exchange should be paid in bank money. This law raised the value of bills on Holland in foreign countries, and compelled every merchant to keep an account at the bank, in order that he might at all times have legal money to pay his foreign bills. The premium (called the Agio) on bank money was regulated by the market price of gold, and was subject to considerable fluctuations. To prevent the gambling to which these fluctuations gave rise, the bank at length determined to sell bank money for currency at five per cent. agio, and to buy it again at four per cent. From this and other sources of profit the bank is supposed to have gained a considerable revenue. It was the entire property of the city of Amsterdam, and was placed under the direction of four burgomasters, who were changed every year.*

* Adam Smith's Wealth of Nations

The bank of Amsterdam was the model on which were formed most of the European banks now in existence; but they have varied very considerably from each other, according to the circumstances of he respective countries in which they have been established.

SECTION II.

THE RISE OF BANKING IN ENGLAND.

THE exchanging of money, the lending of money, the borrowing of money, the transmitting of money, are the four principal branches of the business of modern banking, and in most countries they seem to have taken their rise in the order in which they are here named.

MONEY-CHANGING.

For several centuries the only current coin in England was made of silver, and the highest denomination was the silver penny. This coin contained the 240th part of a pound weight of silver, which is a little more than half the silver contained in one of our sixpences. There were also silver halfpence and silver farthings, and frequently the silver pennies were cut into halves and quarters to serve the purpose of halfpence and farthings, until laws were made to prohibit the practice. Copper was not coined in England until the year 1609, and then the small leaden tokens previously issued by private individuals were suppressed.

Gold is supposed to have been first coined in England in the year 1344, when Edward III. issued gold nobles, half nobles, and farthing nobles; the noble to pass for 6*s.* 8*d.*, the half noble for 3*s.* 4*d.*,

and the farthing noble for 1*s.* 8*d.* This coinage seems to have given rise to the office of Royal Exchanger.

"It was not so easy a matter in the times we are now considering to exchange gold and silver coins for each other as it is at present; and therefore Edward III. and several of his successors took this office into their own hands, to prevent private extortion as well as for their own advantage, and they performed it by appointing certain persons, furnished with a competent quantity of gold and silver coins, in London and other towns, to be the only exchangers of money, at the following rate:—When these royal exchangers gave silver coins for a parcel of gold nobles, for example, they gave one silver penny less for each noble than its current value; and when they gave gold nobles for silver coins they took one penny more, or 6*s.* 9*d.* for each noble, by which in every transaction they made a profit of one and one fifth per cent. These royal exchangers had also the exclusive privilege of giving the current coins of the kingdom in exchange for foreign coins to accommodate merchant-strangers, and of purchasing light money for the use of the mint. As several laws were made against exporting English coin, the king's exchangers, at the several seaports, furnished merchants and others who were going beyond seas with the coins of the countries to which they were going, in exchange for English money, according to a table which hung up in their office for public inspection. By these various operations they made considerable profits, of which the king had a certain share. The house in which the royal exchanger of any town kept his office was called the *exchange*, from which it is probable the public structures where merchants meet for transacting business derive their name.*

This institution continued until the middle of the reign of Henry VIII., when it fell into disuse. It was re-established in the year 1627 by Charles I., who then issued the following proclamation:—

"Whereas the exchange of all manner of gold and silver current in monies or otherwise, as the buying, selling, and exchanging of all manner of bullion, in species of foreign coins, billets, ingots, &c., fine, refined, or allayed howsoever, being fit for our mint, hath ever been and ought to be our sole right, as part of our prerogative, royal and ancient revenue, wherein none of our subjects of whatever trade or quality soever ought at all, without our special licence, to intermeddle, the same being prohibited by divers acts of parliament and proclamations both ancient and modern. And whereas ourself and divers of our royal predecessors have, for some

* Henry's History of England, vol. iii. page 347.

time past, tolerated a promiscuous kind of liberty to all, but especially to some of the mystery and trade of goldsmiths in London and elsewhere, not only to make the said exchanges, but to buy and sell all manner of bullion, and from thence some of them have grown to that licentiousness that they have for divers years presumed, for their private gain, to sort and weigh all sorts of money current within our realm, to the end to cull out the old and new monies, which, either by not wearing or by any other accident, are weightier than the rest, which weightiest monies have not only been molten down for the making of plate, &c., but even traded in and sold to merchant-strangers, &c., who have exported the same, whereby the consumption of coins has been greatly occasioned, as also the raising of the silver even of our own monies to a rate above what they are truly current for, by reason whereof no silver can be brought up to our mint but to the loss of the bringers, &c. — For the reforming of all which abuses, we have, by the advice of our Privy Council, determined to assume our said right, for our own profit and the good of the realm, and for this end we do now appoint Henry Earl of Holland and his deputies to have the office of our changes, exchanges, and out-changes whatsoever, in England, Wales, and Ireland. And we do hereby strictly charge and command that no goldsmith nor other person whatsoever, other than the said Earl of Holland, do presume to change, &c."*

As this measure occasioned some dissatisfaction, the king authorised, in the following year, the publication of a pamphlet, entitled "Cambium Regis, or the Office of his Majesty's Exchanger Royal." In this pamphlet it was attempted to be shown—

"That the prerogative of exchange of bullion for coin has always been a flower of the Crown, of which instances are quoted from the time of King Henry I. downward — that King John farmed out that office for no smaller a sum than five thousand marks — that the place or office where the exchange was made in his reign was near St. Paul's Cathedral in London, and gave name to the street still called the Old Change — that in succeeding reigns there were several other places for those exchanges besides London — that this method continued to Henry VIII.'s time, who suffered his coin to be so far debased that no regular exchange could be made — that the said confusion made way for the London goldsmiths to leave off their proper trade of *goldsmithrie*, i. e. the working and selling of new gold and silver plate and manufacture, the sole intents of all their charters, and to turn exchangers of plate and foreign coins for our English coins, although they had no

* Anderson's History of Commerce, vol. ii. p. 321.

right to buy any gold or silver for any other purpose than for their manufacture aforesaid, neither had any other person but those substituted by the Crown a right to buy the same; the King, therefore, has now resumed this office, not merely to keep up his right so to do, but likewise to prevent those trafficking goldsmiths from culling and sorting all the heavy coin, and selling the same to the mint of Holland, which gained greatly thereby, or else by melting those heavy coins down for making of plate, (witness the pieces of thirteen pence halfpenny, old shillings of Queen Elizabeth, ninepenny and fourpenny-halfpenny pieces, which being weighty monies none of them were now to be met with,) whereby they have raised the price of silver to two-pence per ounce above the value of the mint, which thereby has stood still ever since the eleventh of King James—that for above thirty years past it has been the usual practice of those exchanging goldsmiths to make their servants run every morning from shop to shop to buy up all weighty coins for the mints of Holland and the East countries, whereby the King's mint has stood still.

Not only the Goldsmiths' Company of London, but the lord mayor, court of aldermen, and common council, petitioned against the revival of the office of the Royal Exchanger. They were not, however, successful; and on a second application of the Goldsmiths' Company, the King told them "to trouble him no farther, since his right to the office was undoubtedly clear." After the death of Charles I. this office was not continued, and the business of money-changing fell again into the hands of the goldsmiths. Their shops were situated chiefly on the south row of Cheapside, and extended from the street called the Old Change unto Bucklersbury.*

MONEY-LENDING.

That part of the business of banking which consists in the lending of money lay, during the middle ages, under severe restraints. The taking of interest for the loan of money was deemed sinful, and stigmatised with the name of usury. This opinion appears to be wholly unwarranted, either by the principles of

* See Maitland's History of London, p. 826.

natural equity, or the enactments of the Mosaic law. "The taking of interest from Israelites was forbidden by Moses; not, however, as if he absolutely and in all cases condemned the practice, for he expressly permitted interest to be taken from strangers, but out of favour to the poorer classes of the people. The farther we go back towards the origin of nations, the poorer do we commonly find them, and the more strangers to commerce; and where this is the case, people borrow, not with a view to profit, but from poverty, and in order to procure the necessaries of life; and there it must be, no doubt, a great hardship to give back more than has been got. The taking of interest from *strangers* Moses has not only nowhere forbidden, but even expressly authorised it. Hence it is clear that he does by no means represent interest as in itself sinful and unjust. Any such prohibition of interest in our age and country would, without doubt, be unjust towards lenders, and destructive to trade of every description. Among all the remnants of ancient laws, it would be difficult to find one which, in the present state of society, it would be more foolish and hurtful to revive and enforce. It could only suit a state so constituted as was that of the Israelites by Moses."* The taking of interest for the loan of money was first prohibited in England by Edward the Confessor. This law, however, appears to have become obsolete; for, in a council held at Westminster, in the year 1126, usury was prohibited only to the clergy, who in case they practised it, were to be degraded; and in another council, held twelve years afterwards, it was decreed, "that such of the clergy as were usurers and hunters after sordid gain, and for the public employments of the laity, ought to be degraded." The earliest mention we

* See Michaelis's Commentaries on the Laws of Moses, vol. ii. pp. 324 to 342.

find in the English history of a certain yearly allowance for the usury or interest of money is in the year 1199, the tenth and last year of Richard I. In this case the rate of interest was 10 per cent. This appears to have been the ordinary or market rate of interest from that period until the time of Henry VIII.; but there are many instances on record of a much higher rate of interest being taken, especially by the Jews and the Lombards, who, in those times, were the principal money-lenders. The exorbitant interest taken by them is supposed by eminent writers to have been the effect of the prohibition of usury.

The Jews, who were previously famous in foreign countries for their "egregious cunning in trade and in the practice of brokerage," arrived in England about the time of the Conquest, and soon became remarkable for wealth and usury. "The prejudices of the age," says Hume, "had made the lending of money on interest pass by the invidious name of usury; yet the necessity of the practice had still continued it, and the greater part of that kind of dealing fell every where into the hands of the Jews, who being already infamous on account of their religion had no honour to lose, and were apt to exercise a profession odious in itself by every kind of rigour, and even sometimes by rapine and extortion. The industry and frugality of this people had put them in possession of all the ready money, which the idleness and profusion common to the English with the European nations enabled them to lend at exorbitant and unequal interest."* "Henry III. prohibited the Jews taking more than two-pence a week for every 20*s.* they lent to the scholars at Oxford.†" This is after the rate of 43*l.* 6*s.* 8*d.* per cent. per annum.

* Hume's History of England, chap. x.

† Henry's History of England, vol. vi. page 280.

Peter of Blois, Archdeacon of Bath, writes thus to his friend the Bishop of Ely, "I am dragged to Canterbury to be crucified by the perfidious Jews amongst their other debtors, whom they ruin and torment with usury. The same sufferings await me also at London, if you do not mercifully interpose for my deliverance. I beseech you therefore, O most Rev. Father and most loving friend, to become bound to Sampson the Jew for 6*l.* which I owe him, and thereby deliver me from that cross." * The wealth and the rapacity of the Jews occasioned the most cruel proceedings against them on the part of both the populace and the government. A statute supposed to have been passed about the third year of the reign of Edward I., recites that, "albeit the king and his ancestors have received much benefit from the Jewish people in times past: nevertheless, for the honour of God and the common benefit of the people," it is ordained that the Jews shall not take usury; "and that all Jews shall dwell in the king's *own* cities and boroughs, where the chests of Chirograph of Jewry are wont to be kept; and that each Jew, after he be seven years old, shall wear a badge of yellow felt, and pay threepence yearly to the king at Easter, whose bondman he is, and the same to apply as well to the women as the men." It is also further enacted — "And forasmuch as it is the will and sufferance of Holy Church, that they may live and be preserved, the king taketh them under his protection, and commandeth that none shall do them harm in their bodies nor goods, and that they shall not be challenged nor troubled in any court, except the king's, whose bondmen they are." — "And the king granteth unto them, that they may gain their living by lawful merchandize, and that they may have intercourse with Christians, in order to carry on lawful trade by buying and selling." The following is rather a singular clause: — the act provides, that "the Jews

* Henry's History of England, vol. vi. page 280.

shall not contribute together with the rest of the inhabitants of the borough wherein they reside, for that they are taxable to the king as bondsmen, and to none other." These persecutions terminated by the expulsion of the Jews from England in the year 1290. They were not re-admitted until the time of Oliver Cromwell. On this occasion the Protector summoned an assembly to debate two questions, 1st, whether it were lawful to tolerate the Jews; and 2nd, if it were, on what conditions? The assembly consisted of two judges, seven citizens of London, among whom were the lord mayor and the sheriffs, and fourteen divines. The judges considered toleration merely as a point of *law*, and declared they knew of no law against it; and that if it were thought useful to the state, they would advise it. The citizens viewed it in a *commercial* light, and they were divided in their opinions about its utility. Both these, however, despatched the matter briefly; but the divines violently opposed it by text after text for four whole days. Cromwell was at length so weary that he told them he had hoped they would have thrown some light on the subject to direct his conscience, but on the contrary, they had rendered it more obscure and doubtful than before; that he desired therefore no more of their reasonings, but, lest he should do any thing rashly, he begged a share in their prayers.

Previous to the expulsion of the Jews, the Lombards had settled in England, and they soon became as great usurers as the Jews themselves. By *Lombards* were generally understood Italian merchants from the four republics of Genoa, Lucca, Florence, and Venice. The foreign commerce of those times was usually carried on by companies of merchants, who, on payment of certain duties, were invested by the government with a monopoly of the trade to those countries of which they were natives, and they also possessed peculiar privileges. "As the Lombards engrossed the trade of every kingdom in which they settled, they soon

became masters of its cash. Money of course was in their hands not only a sign of the value of their commodities, but became an object of commerce itself. They dealt largely as bankers. In an ordonnance, A.D. 1295, we find them styled *mercatores* and *campsores*. They carried on this as well as other branches of their commerce with somewhat of that rapacious spirit which is natural to monopolizers who are not restrained by the concurrence of rivals: an opinion which prevailed in the middle ages, was, however, in some measure the cause of their exorbitant demands, and may be pleaded in apology for them. Commerce cannot be carried on with advantage, unless the persons who lend a sum are allowed a certain premium for the use of their money, as a compensation for the risk which they run in permitting another to traffic with their stock. This premium is fixed by law in all commercial countries, and is called the legal interest of money. But the Fathers of the Church absurdly applied the prohibitions of usury in Scripture to the payment of legal interest, and condemned it as a sin. The schoolmen, misled by Aristotle, whose sentiments they followed, implicitly and without examination adopted the same error and enforced it. Thus the Lombards found themselves engaged in a traffic which was deemed criminal and odious. They were liable to punishment if detected. They were not satisfied, therefore, with that moderate premium which they might have claimed, if their trade had been open and authorised by law. They exacted a sum proportional to the danger and infamy of a discovery. Accordingly, we find it was usual for them to demand twenty per cent. for the use of money in the thirteenth century. About the beginning of that century the Countess of Flanders was obliged to borrow money in order to pay her husband's ransom. She procured the sum requisite, either from Italian merchants, or from Jews.[a] The lowest interest which

she paid to them was above twenty per cent., and some of them exacted near thirty. In the fourteenth century, A. D. 1311, Philip IV. fixed the interest which might be legally exacted in the fairs of Champagne at twenty per cent. 'The interest of money in Arragon was somewhat lower. James I., A.D. 1242, fixed it by law at eighteen per cent. As late as the year 1490, it appears that the interest of money in Placentia was at the rate of forty per cent. This is the more extraordinary, because at that time the commerce of the Italian States was become considerable. It appears from Lud. Guicciardini, that Charles V. had fixed the rate of interest in his dominions in the Low Countries at twelve per cent., and at the time when he wrote, about the year 1560, it was not uncommon to exact more than that sum. He complains of this as exorbitant, and points out its bad effects both on agriculture and commerce. This high interest on money is alone a proof that the profits on commerce were exorbitant. The Lombards were also established in England in the thirteenth century, and a considerable street in the city of London still bears their name. They enjoyed great privileges, and carried on an extensive commerce, particularly as bankers." *

The English monarchs frequently borrowed money of the Lombards, as well as of other public bodies, and of private individuals. The companies of foreign merchants made advances of money, which were repaid by the duties on their merchandise. The oldest and wealthiest of these companies, the Steel Yard Company, was a kind of bank to our kings, whenever they wanted money on any certain emergency, but the company was sure to be well paid in the end for such assistance. †

In the year 1546, the taking of interest for money was made legal in England, and the rate was fixed at ten per cent. This act was repealed in the year 1552,

* Robertson's History of Charles V., vol. i. p. 257.

† Anderson's History of Commerce, vol. ii. p. 292.

but it was re-enacted in 1571. The legal rate of interest was reduced to eight per cent. in 1624, and to six per cent. in 1651. In the year 1714, it was reduced to five per cent., where it now remains. The legal rate of interest is still six per cent. in Ireland. After the taking of interest was sanctioned by law, the term USURY, which was previously applied to interest in general, became limited to denote a rate of interest higher than that which the law allowed.

MONEY-BORROWING.

That part of the business of banking which consists in the borrowing of money, with a view of lending it again at a higher rate of interest, does not appear to have been carried on by bankers until the year 1645, when a new era occurred in the history of banking. The goldsmiths, who were previously only money-changers, now became also money-lenders. They became also money-borrowers, and allowed interest on the sums they borrowed. They were agents for receiving rents. They lent money to the king on the security of the taxes. The receipts they issued for the money lodged at their houses circulated from hand to hand, and were known by the name of "goldsmiths' notes." These may be considered as the first kind of bank notes issued in England. The following account of these banking goldsmiths is taken chiefly from "Anderson's History of Commerce." *

When our merchants became enriched by commerce, they wished for a place of security in which they might deposit their wealth. Hence they usually sent their money to the mint in the Tower of London, which became a sort of bank. The merchants left their money here when they had no occasion for it, and drew it out as they wanted it. But in 1640, King Charles I. took

* Vol. ii. p. 402.

possession of 200,000*l.* of the merchants' money that had been lodged in the mint, and from that period the merchants kept their money in their own houses, under the care of their servants and apprentices. On the breaking out of the civil war between Charles I. and the Parliament, it became very customary for the apprentices to rob their masters, and then run away and join the army. As the merchants could now place no confidence either in the public authorities or in their own servants, they were under the necessity of employing bankers.

These bankers were the goldsmiths. Previous to this period, the business of the goldsmiths was similar to what it is in our own time. They bought and sold plate and foreign coins; they procured gold to be coined at the mint; and supplied refiners, plate-makers, and others, with precious metals. To deal in gold and silver bullion to any large extent, implies the possession of considerable wealth; and as all the money in the country then consisted of gold and silver coin, it was natural enough that the goldsmiths should become the bankers of those who had money for which they had no immediate use.

An account of the bankers of those days is related in a curious pamphlet published in the year 1676, and entitled "The Mystery of the new-fashioned Goldsmiths or Bankers discovered." The author observes: —

"That this new banking business soon grew very considerable." "It happened," says he, "in those times of civil commotion, that the Parliament, out of plates and old coins brought into the mint, coined seven millions into half-crowns: and there being no mills then in use at the mint, this new money was of very unequal weight, sometimes two-pence and three-pence difference in an ounce; and most of it was, it seems, heavier than it ought to have been, in proportion to the value in foreign parts. Of this the goldsmiths made naturally the advantage usual in such cases, by picking out or culling the heaviest, and melting them down and exporting them.

"Moreover, such merchants' servants as still kept their masters' running cash, had fallen into a way of clandestinely lending the same to the goldsmiths at four-pence per cent. per diem, who, by

these and such-like means, were enabled to lend out great quantities of cash to necessitous merchants and others, weekly or monthly, at high interest, and also began to discount the merchants' bills at the like or higher interest.

"Much about the same time the goldsmiths (or new-fashioned bankers) began to receive the rents of gentlemen's estates remitted to town, and to allow them and others who put cash into their hands some interest for it, if it remained but a single month in their hands, or even a lesser time. This was a great allurement for people to put money into their hands, which would bear interest till the day they wanted it; and they could also draw it out by one hundred pounds or fifty pounds, &c., at a time, as they wanted it, with infinitely less trouble than if they had lent it out on either real or personal security.

"The consequence was, that it quickly brought a great quantity of cash into their hands, so that the chief or greatest of them were now enabled to supply Cromwell with money in advance on the revenues, as his occasion required, upon great advantages to themselves.

"After the Restoration, King Charles II. being in want of money, the bankers took ten per cent. of him barefacedly and by private contracts; on many bills, orders, tallies, and debts of that king, they got twenty, sometimes thirty per cent., to the great dishonour of the government.

"This great gain induced the goldsmiths more and more to become lenders to the king, to anticipate all the revenue, to take every grant of parliament into pawn as soon as it was given; also to outvie each other in buying and taking to pawn bills, orders, and tallies, so that in effect all the revenue passed through their hands."

The "new-fashioned bankers" were also attacked by Sir Josiah Child, in his "New Discourse of Trade," in the following terms:—

"And principally this seeming scarcity of money proceeds from the trade of bankering, which obstructs circulation, advanceth usury, and renders it so easy, that most men, as soon as they can make up a sum of from 50*l.* to 100*l.*, send it in to the goldsmith, which doth and will occasion, while it lasts, that fatal pressing necessity for money visible throughout the whole kingdom, both to prince and people.

"A seventh accidental reason why land doth not sell at present at the rate it naturally should in proportion to the legal interest, is that innovated practice of *bankers* in London, which hath more effects attending it than most I have conversed with have yet observed; but I shall here take notice of that only which is to my present purpose, viz. —

"The gentlemen that are bankers, having a large interest from his majesty for what they advance upon his majesty's revenue, can afford to give the full legal interest to all persons that put money into their hands, though for never so short or long a time, which makes the trade of usury so easy and hitherto safe, that few, after having found the sweetness of this lazy way of improvement (being by continuance and success grown to fancy themselves secure in it), can be led (there being neither ease nor profit to invite them) to lay out their money in land, though at fifteen years' purchase; whereas before this way of private banking came up, men that had money were forced oftentimes to let it lie dead by them until they could meet with securities to their minds; and if the like necessity were now of money lying dead, the loss of use for the dead time being deducted from the profit of six per cent. (communibus annis) would in effect take off 1*l.* per cent. per annum of the profit of usury, and consequently incline men more to purchase lands, in regard to the difference between usury and purchasing would not, in point of profit, be so great as now it is, this new invention of cashiering having, in my opinion, clearly bettered the usurer's trade one or two per cent. per annum. And that this way of leaving money with goldsmiths hath had the aforesaid effect, seems evident to me from the scarcity it makes of money in the country; for the trade of bankers being only in London, doth very much drain the ready money from all other parts of the kingdom."*

In the year 1667 occurred the first RUN of which we have any account in the history of banking. The business of the new-fashioned bankers had increased so fast, and they had become so numerous, that their trade was supposed to be at its height in this year; when, during the time that a treaty of peace was under consideration, the Dutch fleet sailed up the Thames, blew up the fort of Sheerness, set fire to Chatham, and burned four ships of the line. This disaster occasioned great alarm in London, particularly among those who had money in their bankers' hands, as it was imagined that the king would not be able to repay the bankers the money they had lent him. To quiet the fears of the people, the king issued a proclamation, declaring that the payments to the bankers should be made at the Exchequer the same as usual.

In 1672, five years afterwards, a much greater

* Page 45.

calamity befel the bankers: for King Charles II. shut up the Exchequer, and would not pay the bankers either the principal or the interest of the money which he had borrowed. The amount then due by the king was 1,328,526*l.*; which he had borrowed of the bankers at eight per cent., and which he never repaid.

The mode in which the bankers transacted their loans with the king was this: as soon as the parliament had voted to the king certain sums of money out of particular taxes, the bankers advanced at once the money voted by the parliament, and were repaid in weekly payments at the Exchequer as the taxes were received. The mode of making the repayments and the rate of interest were agreed upon at the time of making the loan.

The shutting up of the Exchequer occasioned great distress among all classes of the people. Persons not in trade had then no way of employing their money with advantage but by placing it out at interest in the hands of a banker. Hence, not merchants only, but widows, orphans, and others, became suddenly deprived of the whole of their property. They came in crowds to the bankers, but could obtain neither the principal nor the interest of the money they had deposited.

The clamour became so great, that the king granted a patent to pay six per cent. interest out of his hereditary excise; but he never paid the principal. But, about forty years afterwards, the parliament made arrangements by which the debt was discharged.

The business of banking remained entirely in the hands of the new-fashioned bankers until the establishment of the Bank of England, in the year 1694.

The TRANSMISSION OF MONEY was in ancient times effected by sending a messenger with the coin. During the middle ages, it was accomplished by means of bills of exchange, which were purchased by merchants. Ultimately, a class of persons carried on this kind of traffic, and purchased or sold bills to suit the con-

venience of parties who wished to deal with them. The pecuniary transactions of independent nations are still adjusted in the same way. But the transmission of money from one part of the country to another part, is more frequently effected upon the principle of transfer, without the passing of any bill. I shall explain this mode of operation in the Section upon Banks of Remittance.

SECTION III.

THE HISTORY OF THE BANK OF ENGLAND.

The Bank of England was first projected by Dr. Hugh Chamberlain, but the plan actually adopted was proposed by Mr. William Paterson. The object was to raise money for the use of the government. After the scheme had received the sanction of the ministry, it was brought before the parliament. Here it underwent a long and violent discussion. One party expatiated upon the national advantages that would accrue from such a measure; they said it would rescue the nation out of the hands of extortioners and usurers, lower interest, raise the value of land, revive and establish public credit, extend the circulation, consequently improve commerce, facilitate the annual supplies, and connect the people more closely with the government. The opposition party affirmed that it would become a monopoly, and engross the whole money of the kingdom; that as it must infallibly be subservient to government views, it might be employed for the worst purposes of arbitrary power; that instead of assisting, it would weaken commerce, by tempting people to withdraw their money from trade and employ it in stock-jobbing; that it would produce a swarm of brokers and jobbers to prey upon their fellow-creatures, encourage fraud and gambling,

and thus corrupt the morals of the nation.* Notwithstanding these objections, the act passed both houses of parliament, and received the royal assent. The following observations upon the establishment of the Bank of England, are taken from Bishop Burnet's "History of his Own Times:"—

"Some thought a bank would grow to be a monopoly, all the money in England would come into their hands, and they would, in a few years, become masters of the wealth and stock of the nation; but those that were for it, argued that the credit it would have must increase trade, and the circulation of money, at least in bank notes. It was visible that all the enemies of the government set themselves against it with such a vehemence of zeal, that this alone convinced all people that they saw the strength that our affairs would receive from it. I had heard the Dutch often reckon up the great advantages they had from their banks; and they concluded that as long as England continued jealous of the government, a bank could never be settled among us, nor gain credit enough to support itself: and upon that, they judged that the superiority in trade must still lie on their side.

"The advantages the king and all concerned in tallies had from the bank were soon so sensibly felt, that all people saw into the secret reasons that made the enemies of the constitution set themselves with so much earnestness against it."

The act of parliament by which the bank was established, is entitled "An act for granting to their majesties several duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors, for securing certain recompences and advantages in the said act mentioned, to such persons as shall voluntarily advance the sum of fifteen hundred thousand pounds towards carrying on the war with France." After a variety of enactments relative to the "duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors," the act authorises the raising of 1,200,000*l.* by voluntary subscription, the subscribers to be formed into a corporation, and be styled "The Governor and Company of the Bank of England." The sum of 300,000*l.* was also to be raised

* See Smollett's History of England, chap. iv.

by subscription, and the contributors to receive instead annuities for one, two, or three lives. Towards the 1,200,000*l.* no one person was to subscribe more than 10,000*l.* before the first day of July next ensuing, nor at any time more than 20,000*l.* The corporation were to lend their whole capital to government, for which they were to receive interest at the rate of eight per cent. per annum, and 4000*l.* per annum for management; being 100,000*l.* per annum in the whole. They were not allowed to borrow or owe more than the amount of their capital, and if they did so the individual members became liable to the creditors in proportion to the amount of their stock. They were not to trade in any "goods, ware, or merchandize whatsoever;" but they were allowed to deal in bills of exchange, gold or silver bullion, and to sell any goods, wares, or merchandize upon which they had advanced money, and which had not been redeemed within three months after the time agreed upon.

The whole subscription having been filled in ten days, a charter was issued on the 27th day of July, 1694.

The charter declares —

"That the management and government of the corporation be committed to the governor, deputy-governor, and twenty-four directors, who shall be elected between the 25th day of March and the 25th day of April each year, from among the members of the company duly qualified.

"That no dividend shall at any time be made by the said governor and company, save only out of the interest, profit, or produce arising out of the said capital stock or fund, or by such dealing as is allowed by act of parliament.

"They must be natural-born subjects of England, or naturalized subjects; they shall have in their own name and for their own use, severally, viz., the governor at least 4000*l.*, the deputy-governor 3000*l.*, and each director 2000*l.*, of the capital stock of the said corporation.

"That thirteen or more of the said governors or directors (of which the governor or deputy-governor shall be always one) shall constitute a court of directors for the management of the affairs of the company, and for the appointment of all agents and servants

which may be necessary, paying them such salaries as they may consider reasonable.

"Every elector must have, in his own name and for his own use, 500*l.* or more, capital stock, and can only give one vote; he must, if required by any member present, take the oath of stock, or the declaration of stock, if it be one of those people called Quakers.

"Four general courts to be held in every year, in the months of September, December, April, and July. A general court may be summoned at any time, upon the requisition of nine proprietors duly qualified as electors.

"The majority of electors in general courts have the power to make and constitute by-laws and ordinances for the government of the corporation, provided that such by-laws and ordinances be not repugnant to the laws of the kingdom, and be conformed and approved, according to the statutes in such case made and provided."

The following are the names of the first directors of the Bank of England:—

Sir John Houlbon, Knt., Governor.
Michael Godfrey, Esq., Deputy Governor.

Sir John Hubard, Bart.	Thomas Goddard, Esq.
Sir James Houlbon, Knt.	Abraham Houlbon, Esq.
Sir William Gore, Knt.	Gilbert Heathcote, Esq.
Sir William Scawen, Knt.	Theodore Jenson, Esq.
Sir H. Furnese, Knt,	John Lordell, Esq.
Sir Thomas Abney, Knt.	Samuel Lettriculler, Esq.
Sir William Hedges, Knt.	William Paterson, Esq.
Brook Bridges, Esq.	Robert Raworth, Esq.
James Bateman, Esq.	John Smith, Esq.
George Boddington, Esq.	Obadiah Sedgwick, Esq.
Edward Clark, Esq.	Nathaniel Tench, Esq.
James Deney, Esq.	John Ward, Esq.

1694, Aug. 8. The rate of discount charged on foreign bills was six per cent., which was the highest legal interest.—Aug. 30. The bank discounted foreign bills at four and a half per cent.; and Oct. 24., the discount on inland bills was six per cent.

1695, Jan. 16. The following rates of interest were charged at the bank: foreign bills, having three months to run, six per cent.; but to those who keep accounts at the bank, foreign bills were discounted at three per cent., and inland bills at four and a half

per cent.—May 19. Running notes and bills were discounted at three per cent. — May 6. The following advertisement appeared in the London Gazette: — "The Court of Directors of the Bank of England give notice, that they will lend money on plate, lead, tin, copper, steel, and iron, at four per cent. per annum."

1697. Bank notes were from fifteen to twenty per cent. discount. During the recoinage in 1696, the bank had issued their notes in exchange for the clipped and deficient coin previously in circulation, and they were not able to procure from the mint a sufficient quantity of the new coins to discharge the notes presented to them for payment. They paid some of their notes by bills, bearing interest at six per cent. They also advertised, that while the silver was recoining, "such as think it fit, for their convenience, to keep an account in a book with the bank, may transfer any sum under five pounds from his own to another man's account."

Exchequer tallies and orders for payment having, in 1696, been at a discount of forty, fifty, and sixty per cent., and bank notes at a discount of twenty per cent., the bank was empowered to receive subscriptions for the enlargement of their stock; four-fifths in tallies and orders, and the remaining one-fifth in bank notes. The sum subscribed was 1,001,171*l.* 10*s.*, which, with the original capital of 1,200,000*l.*, raised the capital to the sum of 2,201,271*l.* 10*s.*

The bank charter was extended or renewed until the expiration of twelve months, notice to be given after the first day of August, 1710, and until payment by the public to the bank of the demand therein specified; being an extension or renewal for five years (8 & 9 William III. c. 20.). It was also enacted, that the "common capital and principal stock, and also the real fund of the governor and company, or any profit or produce to be made thereof, should be

exempted from any rates, taxes, assessments, or impositions whatever, during the continuance of the bank;" and that the forgery of the company's seal, or of any of their notes or bills, should be felony without benefit of clergy. The dividend on bank stock this year was nine per cent.

1704, Feb. 28. Foreign bills *made payable at the bank* were charged discount at the rate of four per cent., but if not payable at the bank they were charged five per cent.

1707. The subscription of 1,001,171*l.* 10*s.*, raised in the year 1697, was restored. This reduced the bank capital to the original sum of 1,200,000*l.*

1708. The bank charter was extended or renewed until the expiration of twelve months, notice to be given after the first day of August, 1732, and until payment by the public to the bank of the demands therein specified; being an extension or renewal of the said charter for twenty years. (7 Anne, c. 7.) By this act it is provided, "That during the continuance of the said corporation of the governor and company of the Bank of England, it shall not be lawful for any body politic or corporate whatsoever, created or to be created (other than the said governor and company of the Bank of England), or for any other persons whatsoever united or to be united in covenants or partnership, *exceeding the number of six persons*, in that part of Great Britain called England to borrow, owe, or take up any sum or sums of money on their bills or notes, payable at demand, or at a less time than six months from the borrowing thereof."

From this year until the year 1729, the annual dividends varied, from nine to five and a half per cent.

1709. In this year there was a new subscription of 1,001,171*l.* 10*s.*, another of 2,201,171*l.* 10*s.*, and a call upon the proprietors of fifteen per cent., 656,204*l.* 1*s.* 9*d.*; altogether making the total capital of the

bank 5,058,547*l.* 1*s.* 9*d.* This increase of capital became necessary, from the bank having in the preceding year lent the government 400,000*l.* without interest, and agreed to cancel one million and a half exchequer bills in their possession, amounting with interest to 1,775,027*l.* 17*s.* 10½*d.*

1710. A farther call of 501,448*l.* 12*s.* 11*d.*, which increased the bank capital to 5,559,995*l.* 14*s.* 8*d.*

The interest on foreign bills raised from four to five per cent., the same as the inland bills.

1713. The bank charter was extended or renewed until the expiration of twelve months' notice, to be given after the first day of August, 1742, and until payment by the public to the bank of the demands therein specified, being an extension or renewal of the said charter for ten years. (12 Anne, stat. 1. c. 2.) In consideration of receiving this privilege, the bank undertook to circulate 1,200,000*l.* in exchequer bills. In this year the legal rate of interest was reduced from six to five per cent.

1716, July 26. The bank rate of discount on foreign and inland bills reduced to four per cent.

1717. The bank cancelled 2,000,000*l.* exchequer bills, and received interest from the government at five per cent. on the amount.

1718. Subscriptions for government loans were first received at the bank. From this period the government have found it more convenient to employ the bank as their agents in all operations of this nature, than to transact them at the treasury or the exchequer. The bank becoming by degrees more closely connected with the government, began to make advances of money in anticipation of the land and malt taxes, and upon exchequer bills and other securities.

1719, April 30. The rate of discount at the bank upon bills and notes was raised from four to five per cent.

1720. THE SOUTH SEA BUBBLE commenced April 7.

"The directors opened their books for a subscription of one million, at the rate of 300*l.* for every 100*l.* capital. Persons of all ranks crowded to the house in such a manner, that the first subscriptions exceeded two millions of original stock. In a few days this stock advanced to 340*l.*, and the subscriptions were sold for double the price of the first payment. The infatuation prevailed till the 8th day of September, when the stock began to fall. Then did some of the adventurers awake from their delirium. The number of the sellers daily increased. On the 29th day of the month, the stock had sunk to one hundred and fifty. Several eminent goldsmiths and bankers, who had lent great sums upon it, were obliged to stop payment, and abscond. The ebb of this portentous tide was so violent, that it bore down every thing in its way, and an infinite number of families were overwhelmed with ruin; public credit sustained a terrible shock; the nation was thrown into a dangerous ferment; and nothing was heard but the ravings of grief and despair. Some principal members of the ministry were deeply concerned in these fraudulent transactions. When they saw the price of stock sinking daily, they employed all their influence with the bank to support the credit of the South Sea Company. That corporation agreed, though with reluctance, to subscribe into the stock of the South Sea Company, valued at 400*l.* per cent., 3,500,000*l.* which the company was to repay to the bank on Lady-day and Michaelmas of the ensuing year. This transaction was managed by Mr. Robert Walpole, who with his own hand wrote the minute of agreement, afterwards known by the name of the Bank Contract. Books were opened at the bank to take in a subscription for the support of public credit, and considerable sums of money were brought in. By this expedient the stock was raised at first, and those who contrived it, seized the opportunity to realize. But the bankruptcy of goldsmiths and the sword-blade company, from the fall of South Sea stock, occasioned such a run upon the bank, that the money was paid away faster than it could be received from the subscription. Then the South Sea stock sunk again, and the directors of the bank, finding themselves in danger of being involved in the company's ruin, renounced the agreement; which, indeed, they were under no obligation to perform, for it was drawn up in such a manner, as to be no more than the rough draft of a subsequent agreement, without due form, penalty, or clause of obligation."*

The directors of the South Sea Company took legal advice, with a view to compel the bank to perform

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* Smollett.

their contract; but the matter was arranged through the intervention of the government, who remitted to the South Sea Company two millions sterling as a compensation for the non-performance of the Bank Contract.

1721. By the 8th Geo. I. c. 21., the South Sea Company were authorised to sell 200,000*l.* per annum, government annuities, and corporations purchasing the same at twenty six years' purchase, were allowed to add the amount to their capital stock.' The bank purchased the whole of this 200,000*l.* per annum, at twenty years' purchase, making 400,000,000*l.*

1722. The bank capital increased 3,400,000*l.* by a new subscription. This made the amount of capital 8,959,995*l.* 14*s.* 8*d.* April 23d. The rate of discount on bills reduced from five to four per cent.

1726. The stock called three per cents. 1726, was created this year by the means of a lottery.

1727. The bank advanced to government 1,750,000*l.* upon the coal and culm duties, at four per cent. interest (1 Geo. II. c. 8.).

1728. The bank advanced to government 1,250,000*l.* upon the lottery, at four per cent. (2 Geo. II. c. 3.)

1730. The half-yearly dividend at Lady-day was at the rate of six per cent. per annum, and that at Michaelmas, at the rate of five and a half per cent. per annum.

1731. The dividends were the same as in the preceding year.

1732. The dividends were the same as in the preceding year. From this year until the year 1747, the dividends were at the rate of five and a half per cent. per annum.

Thursday, 3d of August, about one o'clock, the governor, sub-governor, and several of the directors of the bank, came to see the first stone laid of their new building, in Threadneedle Street; and after they had viewed the stone, on which his Majesty's and their

several names were engraved, the same was covered with a plate of lead, and that, with the base of a pillar. They then gave twenty guineas to be distributed among the workmen. The following are the names of the directors in this year.

SIR EDWARD BELLAMY, *Governor.*
HORATIO TOWNSEND, *Deputy Governor.*

ROBERT ALSOP, Alderman.	MATTHEW RAPER.
ROBERT ATTWOOD.	MOSES RAPER.
JOHN BANCE.	JOHN RUDGE.
SIR GER. CONYERS, Knt. Ald.	WILLIAM SNELLING.
DELILLERS CARBONNEL.	BRYAN BENSON.
SIR JOSEPH EYLES.	STAMP BROOKSBANK.
NATHANIEL GOULD.	CLEMENT BOEHM.
SIR GIL. HEATHCOTE, Knt. Ald.	WILLIAM FAUKENER.
JOHN HANGER.	JAMES GAULTER.
SAMUEL HOLDEN.	CHRISTOPHER LETHIEULLIER.
WILLIAM HUNT.	HENRY NEAL.
JOSEPH PAICE, Jun.	ROBERT THORNTON.

The last eight were not in the direction the preceding year.

1734, Thursday, 5th of June. The directors began to transact business at their new house in Threadneedle Street. The business of the bank had previously been carried on at Grocer's Hall, in the Poultry. In the hall of the new building was erected a curious marble statue of King William III. with a Latin inscription, of which the following is a translation:

For restoring efficacy to the laws,
Authority to the courts of justice,
Dignity to the parliament,
To all his subjects their religion and liberties,
And
For confirming these to posterity,
By the succession of the illustrious House
Of Hanover
To the British Throne,
To the best of princes, WILLIAM III.
Founder of the Bank,
This corporation, from a sense of gratitude,
Has erected this statue,
And dedicated it to his Memory,
In the year of our Lord M.DCC.XXXIV.
And the first year of this building.

1737. Considerable public discussion about the propriety of again renewing the bank charter. The following extracts from the London Magazine, of this year, will shew the sentiments which different writers entertained upon the subject*:

"The bank have power to lend money on land, and no doubt might have put out prodigious sums that way, and have had a better interest for their money than most private people. Had the bank, then, lent out their money on land, they would have strengthened their CREDIT and their INTEREST, and also extended their usefulness by relieving the landed property, of which there is a great deal at this time in mortgage, most unaccountably, at five per cent., while inferior securities bear a premium at three per cent.

"Another branch of business which the bank have power to transact, but yet never meddle with, is the remittance of money backwards and forwards to London from all the chief trading cities in England, for which they should have proper offices or inferior banks erected in all such cities and towns as they intend to manage a remittance with;—this, besides what profit might be expected upon the remittances, would naturally bring great part of the cash which is circulated in the country to be lodged in their hands.

"I must next observe that in that branch of business in which they do employ themselves, which is that of a *London banker*, they very much contract and narrow their dealings, by refusing to take in payment *the foreign coins*, for which reason it is impracticable with many traders to keep their cash with them.

"This very privilege which the bank has for so long enjoyed, I could demonstrate to be a most heavy burthen upon the people, and a great prejudice to the landed interest as well as the trading interest of this kingdom; for if it had not been for this privilege, we should have had a bank, perhaps, in every county in England, and probably half a dozen different banks in London, by which means, no merchant of tolerable credit could ever have been straightened for want of ready money at a low interest when he had occasion for it, nor would any landed gentleman who had a good title to his estate have been obliged to pay such premiums to brokers, or such an interest to mortgagees as they have now generally to pay;—whereas our present bank has never, so far as I have heard, assisted any landed gentleman, or any merchant, except in and about London only."

"I am of opinion that with respect to the banking trade and the trade to the East Indies, neither the one nor the other can be carried on with such success, or in such an extensive manner, by private adventurers, as by a public company, with such an exclusive privilege as our present companies have. The circulating of bank bills or cash notes must certainly increase the current cash of any country, and must, therefore, be of great use in trade; consequently,

the more extensive and the more general such a circulation is, the better will it be for the inland trade of that country. It is true, a private man or set of men may, by a long series of good management, gain a very extensive credit, but that credit can never come to be so extensive or near so general as the credit of a rich public company, that has supported itself with honour, perhaps, for some ages; because the credit of a private man always depends upon himself, so that when he dies, his credit, as to any further circulation, generally dies with him, for it must require some time before those who succeed can revive or regain it; whereas a public company never dies, nor can their credit meet with any such interruption; and as their managers are always chosen annually by the company, there is a greater security for its being under good management than a private bank, whose chief managers are appointed by the chance of natural or legal succession: therefore I shall always think it better for a trading country to have a public bank than to trust entirely to private bankers.

"There certainly never was a body of men that contributed more to the public safety than the Bank of England. This flourishing and opulent company have, upon every emergency, always cheerfully and readily supplied the necessities of the nation, so that there never have been any difficulties—any embarrassments—any delays in raising the money which has been granted by parliament for the service of the public; and it may very truly be said that they have, in very many important conjunctures, relieved the nation out of the greatest difficulties, if not absolutely saved it from ruin."

1738, Dec. 14. The bank commenced issuing post bills, payable seven days after sight, that in case the mail was robbed the parties might have time to stop payment of the bills. Highway-robberies appear to have been very frequent at this period.

1742. The bank charter was extended or renewed until the expiration of twelve months' notice, to be given after the first day of August, 1764, and until payment by the public to the bank of the demands in this Act specified, being an extension or renewal of the said charter for twenty-two years. (15 Geo. II. c. 13.) In consideration of obtaining this charter, the bank lent to government 1,600,000*l.* without interest. To raise this sum the bank made a call upon the proprietors of 840,004*l.* 5*s.* 4*d.*, which increased their capital to 9,800,000*l.* Oct. 18. The rate of discount, on bills drawn within the kingdom, was raised to five

per cent.; bills drawn without the kingdom were still discounted at four per cent.

1745. A RUN upon the bank, occasioned by the rebellion in Scotland, and supposed to be for the purpose of supplying the rebels with gold. A public meeting was held, and one thousand one hundred and forty merchants signed a declaration expressing their readiness to take bank notes.

1746, May 1. The rate of discount on foreign bills reduced from five to four per cent.: inland bills and notes were still charged five per cent. These rates continued until the year 1773. By the 19 Geo. II. c. 6., the bank delivered up to be cancelled 986,000*l.* exchequer bills, in consideration of an annuity of 39,472*l.*, being three per cent. per annum. To raise the above sum the bank made a call of ten per cent. upon their proprietors; this increased the bank capital from 9,800,000*l.* to 10,780,000*l.*

The following table shews the particulars of the permanent debt due from the government to the bank.

Anno	Acts.		Amount.	
1694	5 W. & M. c. 20.	Original Subscription	1,200,000	
1697	8 & 9 Wm. c. 19.	Ingrafted Tallies......	1,001,171	
1708	7 Anne, c. 7. ...	Exch. Bills cancelled.	1,775,028	
—	——	Advan^d. without Int^t.	400,000	
1717	3 Geo. I. c. 8. ...	Exch. Bills cancelled.	2,000,000	
1722	8 — c. 21....	Trans. fr. So. Sea Co.	4,000,000	
1728	1 Geo. II. c. 8....	Advanced.	1,750,000	
1729	2 — c. 3....	Ditto	1,250,000	
1742	15 — c. 13....	Ditto	1,600,000	
1746	19 — c. 6....	Exch. Bills cancelled.	986,800	
		Total sum advanced	——	£15,962,999
Paid off in				
1707	**Ingrafted Tallies..........................**		**1,001,171**	
1728	**Part of £1,775,028........................**		**1,000,000**	
1729	**Remainder of ditto........................**		**775,028**	
	And part of £2,000,000 of 1717.		**500,000**	
1738	**Further part of £2,000,000 of 1717....**		**1,000,000**	
			——	**4,276,199**
	Net amount of permanent debt in 1746, and as it stood up to 1816			**£11,686,800**

It will be observed that the permanent government debt is not exactly the same amount as the bank capital, as the directors did not always lend to the government the exact sum they received from the proprietors.

1747. The bank dividend was at the rate of five per cent. per annum: it continued at this rate until the year 1753.

1750. A reduction took place in the interest of part of the national debt. The bank held a court at Merchant-Taylor's Hall, and consented to receive a reduced rate of interest upon 8,486,800*l.* of the debt due to them by the government. The bank also agreed to advance to the government a sum of money to pay off the dissentients.

1751. In order to raise the sum promised to be lent to the government, the bank established what was called "Bank Circulation." Books were opened to the public, and any person might enter his name and the sum he was willing to lend to the bank, *in case it should be called for.* The books being closed, the bank had the power of calling for the whole or any part of the sum subscribed at any time they pleased. The subscribers were to receive 2*s.* per cent. on the total amount of their subscription, and 4*l.* per cent. on the sum actually advanced.

1752. By 25 Geo. II. the balance of annuities granted by 8 Geo. I. was carried to a three per cent. stock, formed in 1731, and they were consolidated into one stock — the new stock is still called "three per cent. *consols.*" The word *consols.* is a contraction for consolidated.

1753. The bank dividend this year was at the rate of four and three-quarters per cent.

1754. The bank dividend was at the rate of four and a half per cent. It continued at this rate until the year 1764.

1757. The government stock, called "three per

cent. reduced," derives its name from the operation of this year. This stock had borne four per cent. until the year 1750; from that time it paid three and a half per cent., and this year it was *reduced* to three per cent.

1758. It was legally determined that those persons who had given value for bank notes stolen from the mail had a right to receive payment of them from the bank.

In this year occurred the first instance of the forgery of a bank note. It was committed by a person named R. W. Vaughan, who had been a linen-draper at Stafford. The note was for 20*l*., the smallest amount then in circulation. He was convicted and executed.

1759. The bank commenced issuing notes and post bills of 15*l*. and 10*l*. It was proved by experiment, that five hundred and twelve 10*l*. bank notes weighed one pound.

1763. In this year terminated the seven years' war. The following are the government loans contracted during this war.

Years.	Loans.	Interest per cent.	Date.	Loans.	Interest per cent.
1756	£2,000,000	£3 12 0	1760	£8,000,000	£3 13 7
1757	3,000,000	3 14 3	1761	12,000,000	4 1 11
1758	5,000,000	3 6 5	1762	12,000,000	4 10 9
1759	6,600,000	3 10 9	1763	3,500,000	4 4 2

1764. The bank charter was extended or renewed until the expiration of twelve months' notice, to be given after the first day of August, 1786, and until payment by the public to the bank of the demands therein specified; being an extension or renewal of the said charter for twenty-two years. (4 Geo. III. c. 25.)

In consideration of obtaining this charter the bank advanced 1,000,000*l*. one xchequer bills until the year 1766, and paid into the exchequer 110,000*l*.

The dividends this year were raised to five per cent.

per annum, at which rate they continued until the year 1767.

1767. The bank dividend was raised to five and a half per cent., and was continued at that rate until the year 1781.

1773. The rate of discount on foreign bills raised from four to five per cent. The discount on both foreign and inland bills remained at five cent. until the year 1822.

1775. Bankers were prohibited to issue notes of a less amount than 20*s*. (15 Geo. III. c. 51.)

1777. Bankers were prohibited to issue notes of a less value than 5*l*. (17 Geo. III. c. 30.)

1781. The bank charter was extended or renewed until the expiration of twelve months' notice, to be given after the first day of August, 1812, and until payment by the public to the bank of the demands therein specified; being an extension or renewal of the said charter for twenty-six years. (21 Geo. III. c. 60.) In consideration of obtaining this renewal of their charter, the bank advanced to the government 2,000,000*l*. for three years, at three per cent.

The bank dividend raised to six per cent., at which rate it continued till the year 1788.

It is legally decided that the bank is not liable to pay forged notes.

1782. A call of 862,400*l*., making the total capital of the bank 11,642,400*l*. There was no further increase of capital until the year 1816.

1784. In this year terminated the war with the revolted colonies of America. The following loans were contracted by the government during this war.

Years.	Loans.	Interest per cent	Years.	Loans.	Interest per cent.
1776	£2,000,000	£3 9 8	1781	£12,000,000	£5 11 1
1777	5,000,000	4 5 2	1782	13,500,000	5 18 1
1778	6,000,000	4 18 7	1783	12,000,000	4 13 9
1779	7,000,000	5 18 10	1784	6,000,000	5 6 11
1780	12,000,000	5 16 8			

1786. Previous to this year the bank received an allowance from the government on account of the management of the public debt; that is, for trouble in paying the dividends, superintending the transfer of stock, &c., of 562*l.* 10*s.* a million. It was now reduced to 450*l.* a million; the bank being at the same time entitled to a considerable allowance for trouble in receiving contributions on loans, lotteries, &c. This scale of allowance was continued until the year 1808.

1788. The bank dividend raised to seven per cent., at which rate it continued until the year 1807.

1791. A bill was brought into parliament to render 500,000*l.* of the unclaimed dividends on the public funds available for the service of the public; but the bank agreed to lend that sum to the government without interest, and the bill was withdrawn.

1792. A calculation was made with a view to ascertain the number of days that a bank note of each denomination remained in circulation in this year. The following are the results: —

Notes of 10*l.* each,	236 days.	Notes of 50*l.* each,	124 days.
— 15*l.* —	114 —	— 100*l.* —	84 —
— 20*l.* —	209 —	— 200*l.* —	31 —
— 25*l.* —	74 —	— 300*l.* —	24 —
— 30*l.* —	95 —	— 500*l.* —	24 —
— 40*l.* —	65 —	— 1000*l.* —	22 —

1793. An act of parliament was passed (33 Geo. III. c. 32.) declaring that the bank should not be subject to any penalties for advancing money to the government for the payment of bills of exchange, accepted by the commissioners of his Majesty's treasury, and made payable at the bank. The amount of sums so advanced was required to be annually laid before parliament. According to their original charter, the bank were prohibited lending money to the government without the consent of parliament, under a penalty of three times the sum lent: one-fifth part of which was to go to the informer.

This was a year of great commercial distress: twenty-two commissions of bankruptcy were issued against country bankers.

1794. The bank commenced issuing notes for 5*l.*

1795. The bank having resolved to reduce their discounts, placed the following notice in the discount office.

"*Bank of England*, 31*st December*, 1795.

"Pursuant to an order of the Court of Directors:

"Notice is hereby given,

"That no bills will be taken in for discount at this office after 12 o'clock at noon, or notes after 12 o'clock on Wednesday.

"That in future, whenever the bills sent in for discount, shall in any day amount to a larger sum than it shall be resolved to discount on that day, a *pro rata* proportion of such bills in each parcel as are not otherwise objectionable, will be returned to the person sending in the same, without regard to the respectability of the party sending in the bills, or the solidity of the bills themselves.

"The same regulation will be observed as to the notes."

1797. THE SUSPENSION OF CASH PAYMENTS.

This took place on Monday, Feb. 27th, in consequence of an order in council, which ran in the following terms:—

"Upon the representation of the Chancellor of the Exchequer, stating that from the results of the information which he had received, and of the inquiries which it has been his duty to make, respecting the effects of the unusual demand for specie that has been made upon the metropolis, in consequence of ill-founded or exaggerated alarms in different parts of the country; it appears, that unless some measure is immediately taken, there may be reason to apprehend a want of a sufficient supply of cash to answer the exigencies of the public service, It is the unanimous opinion of the Board, that it is indispensably necessary for the public service, that the directors of the bank of England should forbear issuing any cash in payment, until the sense of parliament can be taken on that subject, and the proper measures adopted thereupon, for maintaining the means of circulation and supporting the public and commercial credit of the kingdom at this important conjuncture; and it is ordered that a copy of this minute be transmitted to the directors of the bank of England, and they are hereby required, on the grounds of the exigency of the case, to conform thereto until the sense of parliament can be taken as aforesaid."

Among the crowd assembled at the bank, with a view of demanding gold, hand-bills were distributed, of which the following is a copy: —

"*Bank of England, Feb. 27th*, 1797.

"In consequence of an order of his Majesty's Privy Council, notified to the bank last night, a copy of which is hereunto annexed, the governor, deputy-governor, and directors of the bank of England, think it their duty to inform the proprietors of the bank stock, as well as the public at large, that the general concerns of the bank are in a most affluent and prosperous situation, and such as to preclude every doubt as to the security of its notes. The directors mean to continue their usual discounts for the accommodation of the commercial interest, paying the amount in bank notes, and the dividend warrants will be made in the same manner."

On the same day was held a meeting of merchants, bankers, and others, the lord mayor in the chair, when the following resolution was unanimously passed: —

"That we, the undersigned, being highly sensible how necessary the preservation of public credit is at this time, do most readily declare, that we will not refuse to receive bank notes in payment of any sum of money to be paid to us, and we will use our utmost endeavours to make all our payments in the same manner."

This resolution was left for signature at several of the most respectable taverns, and a similar resolution was subsequently adopted by other public assemblies.

Immediately afterwards, the House of Commons appointed a committee to inquire into the affairs of the bank. The committee reported, that "The total amount of outstanding demands on the bank, on the 25th of Feb. was 13,770,390*l.*; and that the total amount of the funds for discharging those demands (not including the permanent debt due from government, of 11,686,800*l.*, which bears an interest of three per cent.) was 17,597,280*l.*; and the result is, that there was, on the 25th day of February last, a surplus of effects belonging to the bank, beyond the amount of their debts, amounting to the sum of 3,825,890*l.*, exclusive of the above-mentioned permanent debt of 11,684,800*l.* due from government." From accounts

since published, it appears that the amount of gold and silver in possession of the bank was reduced by the previous run to 1,086,170*l.*

March 3. The bank were authorised to issue notes under 5*l.*; 37 Geo. III. c. 28. It is entitled, "An Act to remove doubts respecting promissory notes of the governor and company of the bank of England, for payment of sums of money under 5*l.*" Accordingly, on the 10th of March the bank issued, for the first time, notes for 1*l.* and 2*l.*

March 6. The bank issued the following notice: —

"In order to accommodate the public with a farther supply of coin for small payments, a quantity of dollars, which have been supplied by the bank and stamped at the mint, are now ready to be issued at the bank at the price of four shillings and sixpence per dollar, and a farther quantity is preparing."

After the issuing of the above notice, it was ascertained that the dollars were intrinsically worth about two-pence more than the price at which they were intended to be issued. The following notice appeared three days afterwards: —

"*Bank of England, March* 9. 1797.

"In consequence of its appearing to be the general opinion that the dollars will be more conveniently circulated at the rate of four shillings and nine-pence per dollar, than at that of four shillings and sixpence which had been proposed, Notice is hereby given, that dollars are now ready to be delivered accordingly at the rate of four shillings and nine-pence per dollar."

May 3. THE BANK RESTRICTION ACT PASSED. It is the 37 Geo. III. c. 45.; and is entitled, "An Act for continuing, for a limited time, the restriction contained in the minute of council of the 26th of February, 1797, on payment of cash by the bank." By this Act the bank directors were indemnified against any legal proceedings on account of having complied with the order of council. They were not permitted to issue cash, except for any sum under

twenty shillings. But if any person lodged *cash* in the bank, he might be repaid in cash to the extent of three fourths of the sum lodged; but the sum lodged must not be less than 500*l.* The bank were also allowed to advance to the bankers of London, Westminster, and Southwark, any sum of cash not exceeding in the whole 100,000*l.*; and also 25,000*l.* each to the bank of Scotland and the royal bank of Scotland, during the continuance of this Act. The bank could not be sued for payment of any of their notes, for which they were willing to give other notes; and no person could be held to special bail upon any process issuing out of any court, unless the affidavit made for the purpose stated also, that the party had made no offer to pay in bank notes. This act was to be in force till the 24th day of the following June, a duration of fifty-two days.

June 22. Another Act was passed, continuing the bank restriction until one month after the commencement of the then next session of parliament.

Nov. 30. A third Act passed, continuing the restriction until six months after the conclusion of the war.

An Act was also passed (37 Geo. III. c. 32.) suspending the Acts passed in 1777, which prohibited bankers issuing notes below the amount of 5*l.*, and the country bankers commenced issuing notes of 1*l.*

1799, Jan. 3. The bank gave notice, "That on and after the 14th instant, they would pay in cash all fractional sums under 5*l.*; and that on and after the 1st day of February next, the bank will pay cash for all notes of 1*l.* and 2*l.* value that are dated prior to the 1st day of July, 1798, or exchange them for new notes of the same value, at the option of the holders."

This year the bank proprietors received a bonus of ten per cent. on their capital. The bonus was made in five per cents., 1797.

1800. The bank charter was extended or renewed until the expiration of twelve months' notice, to be given after the 1st day of August, 1833, and until payment by the public to the bank of the demands therein mentioned; being an extention or renewal of the said charter for twenty-one years. (40 Geo. III. c. 28.) In consideration of obtaining this renewal of their charter, the bank agreed to lend the government the sum of 3,000,000*l.* without interest for six years.

The 40 Geo. III. c. 36. was enacted to enable courts of equity to compel a transfer of stock in suits, without making the Bank of England, or the East India Company, or the South Sea Company, partners in the sales.

1801. 41 Geo. III. c. 57. was enacted "For the better prevention of the forgery of the notes and bills of exchange of persons carrying on the business of bankers.

"After July 10th, 1801, no person shall use or make any frame or mould for making paper, with the name or firm of any persons or body corporate appearing in the substance of the paper, without a written authority for that purpose; or shall make or vend such paper, or cause such name or firm to appear in the substance of the paper, whereon the same shall be written or printed, — on being imprisoned for the first offence, not exceeding two years, nor less than six months; and for the second offence, transported for seven years.

"No person shall engrave, &c., any bill or note of any person or banking company, or use any plate so engraved, or, any device for making or printing such bill or note, or shall knowingly have in his custody such plate or device, or shall utter such bill or note without a written authority for that purpose, under a like penalty.

"No person shall engrave, &c., on any plate, any subscriptions subjoined to any bill or note of any person or banking company, payable to bearer on demand, or have in his possession any such plate, on penalty, for the first offence, of being imprisoned not exceeding three years, nor less than twelve months; and for the second transported for seven years."

1801. The proprietors of bank stock received a bonus of five per cent. on their capital in navy five per cents.

The war with the French republic terminated this year by the peace of Amiens. The following loans were contracted during this war: —

Years.	Loans.	Interest per cent.	Years.	Loans.	Interest per cent.
1793	£4,500,000	£4 8 7	1797	£14,500,000	£6 6 10
1794	11,000,000	4 10 7	1798	17,000,000	6 4 9
1795	18,000,000	4 15 8	1799	3,000,000	5 12 5
1796	18,000,000	4 14 9	1799	15,500,000	5 5 0
1796	7,500,000	4 12 2	1800	20,500,000	4 14 2
1797	18,000,000	5 14 1	1801	28,000,000	5 5 0

1802. The war having been concluded, the Bank Restriction Act would have expired six months afterwards, but it was by a new Act continued in force till the 1st day of March, 1803.

The bank proprietors received a bonus of two and a half per cent. on their capital in navy five per cents.

1803, Feb. 28. The Bank Restriction Act was continued until six weeks after the commencement of the next session of parliament.

Dec. 15. War having recommenced, the Bank Restriction Act was continued until six months after the conclusion of a definitive treaty of peace.

The bank is said to have lost this year no less a sum than 300,000*l.*, through a fraud committed by one of their principal cashiers, Mr. Astlett.

1804. The bank proprietors received a bonus in cash of five per cent. on their capital.

In consequence of the scarcity of silver, the bank issued five-shilling dollars. These dollars had on the obverse side an impression of his Majesty's head, and the following superscription: "Georgius III. Dei Gratia Rex;" and on the reverse side, the impression of Britannia and the following, "Five shillings dollar. Bank of England 1804." The bank subsequently issued silver tokens for three shillings, and for one one shilling and sixpence. By an Act passed in 1812,

the counterfeiting these dollars and tokens was liable to a punishment of fourteen years' transportation.

By 44 Geo. III. c. 98., the following duties were imposed upon the notes of country bankers :—

				£	s.	d.
Not exceeding £1	1s.	....		0	0	3
Exceeding	1	1 not exceeding £2	2s....	0	0	6
Exceeding	2	2 not exceeding 5	5 ...	0	0	9
Exceeding	5	5 not exceeding 20	0 ...	0	1	0

These duties continued until the year 1808.

1805. The bank proprietors received another bonus of five per cent. in cash.

1806. Another bonus of five per cent. in cash.

1807. The dividend on bank stock was raised from seven to ten per cent., at which rate it continued until the year 1823.

1808. The allowance from the government to the bank for managing the public debt reduced from 450*l.* a million to 340*l.* a million on six hundred millions of the debt, and to 300*l.* a million on all that it exceeded that sum. This was exclusive of some separate allowances on annuities, &c.

By 48 Geo. III. c. 149., the following duties were imposed upon country bank notes :—

				£	s.	d.
Not exceeding £1	1s.	....		0	0	4
Exceeding	1	1 not exceeding £2	2s....	0	0	8
Exceeding	2	2 not exceeding 5	5 ...	0	1	0
Exceeding	5	5 not exceeding 20	0 ...	0	1	6
Exceeding	20	0 not exceeding 30	0 ...	0	3	0
Exceeding	30	0 not exceeding 50	0 ...	0	4	6
Exceeding	50	0 not exceeding 100	0 ...	0	7	6

These duties remained the same until the year 1815.

1810. The BULLION COMMITTEE, appointed by the House of Commons for the purpose of inquiring into the causes of the high price of gold bullion, and its effect on the circulating medium.

The committee delivered a very long report, in which they discussed a variety of matters connected

with the currency, and concluded by recommending that the bank should resume cash payments at the end of two years. The following are extracts :—

"Your committee have found that the price of gold bullion, which, by the regulation of his Majesty's mint, is 3*l.* 17*s.* 10½*d.* per ounce of standard fineness, was, during the years 1806, 1807, and 1808, as high as 4*l.* in the market. Towards the end of the year 1808 it began to advance very rapidly, and continued very high during the whole of the year 1809, the market price of standard gold fluctuating from 4*l.* 9*s.* to 4*l.* 12*s.* per oz. The market price at 4*l.* 10*s.* is about 15½ per cent. above the mint price.

"Your committee have likewise found that towards the end of the year 1808, the exchanges with the Continent became very unfavourable to this country, and continued still more unfavourable through the whole of 1809, and the three first months of the present year.

"Mr. Whitmore, the late governor of the bank, stated to the committee, that in regulating the general amounts of the loans and discounts, he did 'not advert to the circumstance of the exchanges, it appearing upon a reference to the amount of our notes in circulation, and the course of the exchange, that they frequently have no connection.'

"Mr. Pearce, now governor of the bank, agreed with Mr. Whitmore in this account of the practice of the bank, and expressed his full concurrence in the same opinion. Mr. Pearce.—'In considering this subject with reference to the manner in which bank notes are issued, resulting from the applications made for discounts to supply the necessary want of bank notes, by which their issue in amount is so controlled that it can never amount to an excess, I cannot see how the amount of bank notes issued can operate upon the price of bullion, or the state of exchanges; and therefore I am individually of opinion that the price of bullion or the state of the exchanges can never be a reason for lessening the amount of bark notes to be issued, always understanding the control which I have already described.'

"The bank directors, as well as some of the merchants who have been examined, showed a great anxiety to state to your committee a doctrine, of the truth of which they professed themselves to be most thoroughly convinced: that there can be no possible excess in the issue of Bank of England paper, so long as the advances in which it is issued are made upon the principles which at present guide the conduct of the directors — that is, so long as the discount of mercantile bills is confined to paper of undoubted solidity, arising out of real commercial transactions, and payable at short and fixed periods. That the discounts should be made only upon bills growing out of real commercial transactions and falling due in a fixed and short period, are sound and well established principles.

But that while the bank is restrained from paying in specie, there need be no other limits to the issue of their paper than what is fixed by such rules of discount; and that during the suspension of cash payments, the discount of good bills falling due at short periods cannot lead to any excess in the amount of bank paper in circulation, appears to your committee to be a doctrine wholly erroneous in principle, and pregnant with dangerous consequences in practice.

"Upon a review of all the facts and reasonings which have been submitted to the consideration of your committee in the course of this inquiry, they have formed an opinion which they submit to the house — That there is at present an excess in the paper circulation of this country, of which the most unequivocal sympton is the very high price of bullion, and, next to that, the low state of the Continental exchanges; that this excess is to be ascribed to the want of a sufficient check and control in the issues of paper from the Bank of England, and originally to the suspension of cash payments, which removed the natural and true control.

"Your committee would suggest, that the restriction on cash payments cannot safely be removed at an earlier period than two years from the present time; but your committee are of opinion that early provision ought to be made by parliament for terminating, at the end of that period, the operation of the several statutes which have imposed and continue that restriction."

This report was delivered late in the session, and was not taken into consideration by the house until the following year.

1811. The commercial distress of the country had become so great, that parliament authorized the sum of six millions to be advanced to merchants on their giving sufficient security; but such had been the fall in the price of mercantile property, that not many could give the required security, and bankruptcies were numerous. Whether this distress arose from any preparations of the bank to return to cash payments, from the American embargo, or from Buonaparte's Berlin and Milan decrees, was a matter of much controversy. From the accounts since published, it does not appear that the bank had taken any measures to increase their stock of gold; but during the years of 1810, 1811, and 1812, they considerably reduced their private securities and increased the amount of their public securities. Thus, on the

last day of Feb. 1810, their public securities were 14,322,634*l*., and their private securities 21,055,946*l*. On the same day, in 1813, their public securities were 25,036,626*l*., and the private securities 12,894,324*l*. This progressive reduction of the discounts no doubt occasioned great distress, though it was in some degree counteracted by an increase in the same period of above two millions in the circulation. It has been asserted, however, that the reduction of discounts was not the cause but the effect of the distress; that the bank were as ready to discount as before, but that in consequence of the falling off in prices, and the stagnation of trade, the amount of bills offered for discount was considerably reduced.

The report of the bullion committee was taken into consideration by the House of Commons, and after much discussion rejected. Instead of the measures recommended by the committee, the House adopted certain resolutions proposed by Mr. Vansittart (now Lord Bexley), declaring that the value of bank notes was not depreciated, but that the value of gold was enhanced; and that the political and commercial relations of Great Britain with foreign states were sufficient to account for the unfavourable state of the foreign exchanges and the high price of bullion.

July 24. Lord Stanhope's Act passed. This Act (51 Geo. III. c. 127.) is entitled, "An Act for making more effectual provision for preventing the current gold coin of the realm from being paid or accepted for a greater value than the current value of such coin; for preventing any note or bill of the governor and company of the Bank of England from being received for any smaller sum than the sum therein specified; and for staying proceedings upon any distress by tender of such notes." It enacts, that the taking of gold coin at more than its value, or Bank of England notes for less than their value, shall be deemed a mis-

demeanor. This Act was to be in force until the 15th of March, 1812. It was introduced by the Earl of Stanhope, in consequence of the following notice having been addressed by Lord King to his tenantry: —

"By lease, dated 1802, you have contracted to pay the annual rent of 47*l.* 5*s.* in good and lawful money of Great Britain. In consequence of the late great depreciation of paper money, I can no longer accept any bank notes at their nominal value, in payment or satisfaction of an old contract. I must, therefore, desire you to provide for the payment of your rent in the legal gold coin of the realm; at the same time, having no other object than to secure payment of the real intrinsic value of the same, stipulated by agreement, and being desirous to avoid giving you any unnecessary trouble, I shall be willing to receive payment in either of the manners following, according to your option: — 1st. By payment in guineas; 2d. If guineas cannot be procured, by a payment in Portugal gold coin equal in weight to the number of guineas requisite to discharge the rent; 3d. By a payment in bank paper of a sum sufficient to purchase (at the present market price) the weight of standard gold requisite to discharge the rent. The alteration in the value of paper money is estimated in this manner: the price of gold in 1802, the year of your agreement, was 4*l.* an ounce: the present market price is 4*l.* 14*s.*, arising from the diminished value of paper. In that proportion an addition of 17*l.* 10*s.* per cent. in paper money will be required as the equivalent for the payment of rent in paper."

1812. "An Act passed for the further prevention of the counterfeiting of silver tokens issued by the governor and company of the Bank of England, called *dollars*, and of silver pieces issued and circulated by the said governor and company, called *tokens*, and for the further prevention of frauds practised by the imitation of the notes or bills of the said governor and company." (52 Geo. III. c. 138.)

Lord Stanhope's Act continued by 52 Geo. III. c. 5. until three months after the commencement of the next session of parliament.

1814. Lord Stanhope's Act revived and continued by 54 Geo. III. c. 52. during the continuance of the Bank Restriction Act.

1815. The following stamp duties were imposed upon the notes of country bankers. (55 Geo. III. c. 184.

	£	s.		£	s.	s.	d.
Not exceeding	1	1	....			0	5
Exceeding	1	1	and not exceeding	2	2	0	10
	2	2	......	5	5	1	3
	5	5	......	10	0	1	9
	10	0	......	20	0	2	0
	20	0	......	30	0	3	0
	30	0	......	50	0	5	0
	50	0	......	100	0	8	6

1815. In this year terminated the war with the French Empire, by the defeat of Napoleon Buonaparte at the battle of Waterloo by the Duke of Wellington. The following loans were contracted during this war.

Years	Loans.	Interest per cent	Years.	Loans.	Interest per ct.
1803	£12,000,000	£5 2 0	1810	£12,000,000	£4 4 2
1804	14,000,000	5 9 2	1811	12,000,000	4 13 6
1805	22,500,000	5 3 2	1812	32,500,000	5 5 7
1806	20,000,000	4 19 7	1813	27,000,000	5 8 6
1807	14,200,000	4 14 7	1814	24,000,000	4 12 1
1808	10,500,000	4 14 6	1815	36,000,000	5 12 4
1809	14,600,000	4 12 10			

Peace being restored, the Bank Restriction Act would have expired six months afterwards, but it was continued by a new Act until the fifth July, 1816.

1816. The Bank Restriction Act continued from July 1816 to July 1818.

The bank was authorised to increase its capital from 11,642,400*l.* to 14,553,000*l.*, being an addition of twenty-five per cent. to the stock of the several proprietors. This addition was made out of the surplus profits without any further call. (56 Geo. III. c. 96.) In consideration of obtaining this privilege, the bank agreed to lend the government the sum of 3,000,000*l.* at three per cent. This increased the permanent debt due from government from 11,686,800*l.* to 14,686,800*l.*

The following table exhibits the variations which have taken place in the amount of the capital of the bank at different periods from the date of the first charter to the present time:—

Years.		Augmentations.			Aggregate.		
1694	Original Subscriptions...	1,201,000	0	0	1,200,000	0	0
1709	New Subscriptions	1,001,171	10	0	2,201,171	10	0
—	Ditto	2,201,171	10	0	4,402,343	0	0
—	A Call of....................	656,204	1	9	5,058,547	1	9
1710	A Call of....................	501,448	12	11	5,559,995	14	8
1722	New Subscriptions	3,400,000	0	0	8,959,995	14	8
1742	A Call of....................	840,004	5	4	9,800,000	0	0
1746	A Call of....................	980,000	0	0	10,680,000	0	0
1782	A Call of....................	862,400	0	0	11,742,400	0	0
1816	Augmented 1-4th out of the surplus profits	2,910,600	0	0	14,553,000	0	0

The new subscription of 1,001,171*l.* 10*s.* raised in 1697 having been returned in 1707 is not noticed in the above table.

1817, April 17. The bank gave notice that on and after the second day of May next ensuing, they would pay cash for all notes of 1*l.* and 2*l.* value, dated prior to the first day of January, 1816, or exchange them for new notes of the same value, at the option of the holders.

Sept. 18. The bank gave notice that on and after the first day of October then next ensuing, they would be ready to pay cash for their notes, of every description, dated prior to the first day of January, 1817.

1818. The Bank Restriction Act continued from the 5th July, 1818, to 5th July, 1819.

A calculation was made this year, to ascertain the number of days that a bank note of each denomination remained in circulation; the following are the results:

Notes of 1*l.* and 2*l.* ...	147 days.	Notes of 40*l.*	38 days.
— 5*l.*	148	— 50*l.*	72
— 10*l.*	137	— 100*l.*	49
— 15*l.*	66	— 200*l.*	18
— 20*l.*	121	— 300*l.*	14
— 25*l.*	43	— 500*l.*	14
— 30*l.*	55	— 1000*l.*	13

The bank had always been in the practice of de-

taining the forged notes offered for payment. But two persons, who had forged notes returned to them by the bank, paid the amount, and kept the notes. They were charged with having forged notes in their possession, and tried on this charge, but the juries acquitted them. "In consequence of this decision the bank have since returned all forged notes to the parties presenting them, after having stamped them in several places with the word "forged."

1819. A bill passed through parliament in the course of two nights to restrain the bank paying away any more gold under its notice of September, 1817, or any previous notice. A committee of the House of Commons had reported that the bank had paid away above five millions in gold; the greater part of which had been taken to the Continent, and there re-coined into foreign money.

From an account submitted to parliament of the total amount of outstanding demands on the Bank of England, and the funds for discharging the same, it appears that there was a surplus in favour of the bank of 5,202,320*l.*, independently of their capital of 14,686,800*l.*

Mr. Peel's Bill passed. This bill (59 Geo. III. c. 49.) contains the following provisions:—

1. The Bank Restriction Act was continued, absolutely, from the 5th of July, 1819, to Feb. 1. 1820.

2. Between Feb. 1 and Oct. 1. 1820, the bank were required to pay their notes in gold bullion of standard fineness, at the rate of 4*l.* 1*s.* per ounce, but not to be liable to a demand for a less quantity than sixty ounces at one time.

3. Between Oct. 1. 1820, and May 1. 1821, the bank were required to pay their notes in gold bullion upon the same plan, at the rate of 3*l.* 19*s.* 6*d.* per ounce.

4. Between May 1. 1821, and May 1. 1823, the bank were to pay in gold bullion upon the same plan,

at the rate of 3*l.* 17*s.* 10½*d.* per ounce, which was the mint price of gold.

5. From May 1. 1823, the bank were to pay their notes in the gold coin of the realm.

6. But between Feb. 1. and Oct. 1. 1820, the bank might make payments at a less rate than 4*l.* 1*s.*, and not less than 3*l.* 19*s.* 6*d.* per ounce; and between Oct. 1. 1820, and May 1. 1821, the bank might pay at any rate less than 3*l.* 19*s.* 6*d.*, and not less than 3*l.* 17*s.* 10½*d.*, on giving three days' notice in the Gazette. Such payments to be made in ingots or bars of gold, of the weight of sixty ounces. The bank were also permitted to pay in gold coin on or after May 1. 1822.

7. All the laws which restrained the exportation of gold and silver coin were repealed, and the coin was allowed to be exported or melted without incurring any penalty.

The bill did not give satisfaction to the bank directors. They wished to be allowed to pay their notes in gold bullion at the market price of the day.

The 59 Geo. III. c. 76. was passed to prohibit the bank making advances to government without the authority of parliament. But the bank were allowed to purchase exchequer bills, or to advance money on them; but the amount of such bills must be laid annually before parliament.

1820. An Act passed for the further prevention of forging and counterfeiting of bank notes (1 Geo. IV. c. 92.) It also enacted, that the names of persons, authorised by the bank directors to sign the notes might be impressed by machine instead of being subscribed in the hand-writing of such persons.

1821. The bank commenced paying off their notes under 5*l.* in gold. The directors had procured an act of parliament, 1 & 2 Geo. IV. c. 26., permitting them to do so from the first day of May, 1821. The gold coins issued by the bank were not guineas, but

sovereigns, of the value of twenty shillings, which were now first coined. The gold coined at the mint this year amounted to 9,520,758*l*., and the silver to 433,686*l*.

1822. In this year an Act was passed, permitting the country bankers to continue the issuing of notes under 5*l*. until the expiration of the bank charter in 1833. As the law previously stood, these notes were prohibited on the resumption of cash payments by the bank. The directors made the following reference to this subject, in a memorandum they delivered to the parliamentary committee of 1832: —

"By the resolution of the House of Commons of 1819, the bank were required, within four years, to pay off in gold the amount of their one-pound notes then in circulation (about 7,500,000*l*.); further, to provide the coin for paying off the country small notes in 1825 (about seven or eight millions more), in addition to which the necessity was imposed of providing the requisite surplus bullion for insuring the convertibility of all their liabilities, which addition of bullion to their then stock could not be estimated at less than 5,000,000*l*.; making in the aggregate 20,000,000*l*. of gold as necessary to be provided from foreign countries within the space of four years from 1819.

"That supply of gold could only be purchased by reduced prices of commodities; the bank withdrawing a given amount of securities, in the first instance, the notes for which might be re-issued in payment of the gold as imported. The low prices and general state of trade from 1819 to 1821, and the withdrawal of the bank's securities, enabled the bank to cancel their small notes in the latter year; and in the following (1822), three years prior to the time fixed by parliament, they were in a situation to furnish the gold for paying off the country small notes, when, without any communication with the bank, the government thought proper to authorise a continuance

of the circulation of the country small notes until 1833. The consequence of that measure was to leave in the possession of the bank an inordinate quantity of bullion (14,200,000*l.* in January, 1824); and further, to afford the power of extension to the country bankers' issues, which it is believed were greatly extended from 1823 to 1825."

By a return from the stamp office, it appears that the number of country banks this year was five hundred and fifty-two, and the number of persons in those firms was one thousand six hundred and seventy-three.

1822, June 22. The bank reduced the rate of interest upon bills of exchange from five to four per cent., and extended the time of such bills from sixty-one to ninety-five days.

In this year the government reduced the interest of the navy five per cents. to four per cent. Each holder of 100*l.* stock received 105*l.* new stock bearing four per cent., with a guarantee that the interest should not be farther reduced until the year 1829. This new stock was distinguished by the name of "new fours." The bank agreed to advance the money to pay off the dissentients.

In consequence of the abolition of the notes under 5*l.* the bank found they had many more clerks than were necessary. A good number were therefore discontinued; the bank giving them either a pension, or the value of a pension in ready money, at the option of the clerks. The conduct of the bank on this occasion was highly liberal, and met with universal approbation.

1823, Lady-day. The dividend on back stock was reduced from ten to eight per cent.

The bank engaged to advance to government, between April, 1823, and April, 1828, the sum of 13,089,419*l.*, for the purpose of defraying the charge of military and naval pensions, and to receive in lieu of this sum 585,740*l.* per annum; to commence from the 5th of April, 1823, and to continue for a term of

forty-four years, and then to cease. This charge is commonly called "the dead weight."

In the latter end of this year, the bank commenced advancing money upon the security of government stock. They also lent 1,500,000*l.* to the East India Company.

1824. The bank extended their advances upon stock, and commenced lending money on mortgage.

The old four per cents. were reduced to three and a half per cent. The new stock is called "three and a half per cent. reduced."

This and the subsequent year were remarkable for the commencement of a great number of joint-stock companies. The total number of projects were six hundred and twenty-six, and to carry them all into effect would have required a capital of 372,173,100*l.* They have been thus classified*: —

74 Mining companies	£38,370,000
29 Gas ditto	12,077,000
20 Insurance ditto	35,820,000
29 Investments ditto	52,600,000
54 Canal Rail-road ditto	44,051,000
67 Steam ditto	8,555,500
11 Trading ditto	10,450,000
26 Building ditto	13,781,000
24 Provision ditto	8,360,000
292 Miscellaneous ditto	148,108,600
626	£372,173,100

The above companies are divided by Mr. English into four classes. First, companies which continued to exist in the year 1827; secondly, companies whose shares had been sold in the market, but were afterwards abandoned; thirdly, companies which published prospectuses, or which were announced in the papers, but which are not known to have issued shares; fourthly, companies, the formation of which was no-

* See "A complete View of the Joint-Stock Companies," formed during the years 1824 and 1825, by Henry English.

ticed in the public papers, but the particulars not specified. The following is the general summary:

Companies.	Capital required.	Amount actually advanced.
127 Companies existing in 1827	£102,781,600	£15,185,950
118 Ditto abandoned	56,606,500	2,419,675
236 Ditto projected	143,610,000	
143 Ditto ditto not particularized	69,175,000	
624	£372,173,100	£17,605,625

Besides the capital required for the above companies, large sums of money were granted as loans to foreign powers, as appears from the following table:—

A list of the foreign loans contracted in England, with the amounts of the same; the names of the contractors, the years in which the contracts were made, and the prices at which they were issued.

	£	per ct.			per ct.
Austrian*	2,500,000	5	N. M. Rothschild	1823	82
Belgian*	2,000,000	—	Ditto	1832	75
Brazilian*	3,200,000	—	T. Wilson & Co.	1824	75
Ditto*	2,000,000	—	N. M. Rothschild	1825	85
Ditto*	800,000	—	Rothschild & Wilson	1829	
Buenos Ayres	1,000,000	6	Baring & Brothers	1824	85
Chili	1,000,000	—	Hullett, Brothers	1822	70
Columbian	2,000,000	—	Herring, Graham, & Co.	1822	84
Ditto	4,750,000	—	B. A. Goldschmidt & Co.	1824	88½
Danish*	5,500,000	3	T. Wilson & Co.	1825	75
Greek	800,000	5	Loughnan & Co.	1824	59
Ditto	1,000,000	—	Ricardos	1825	56½
Guatemala	1,428,571	6	I. & A. Powles	1825	73
Guadaljava	600,000	5	W. Ellward, jun.	1825	60
Mexican	3,200,000	—	B. A. Goldschmidt & Co.	1824	58
Ditto	3,200,000	6	Barclay, Herring, & Co.	1825	89¾
Neapolitan*	2,500,000	5	N. M. Rothschild	1824	92½
Prussian*	5,000,000	—	Ditto	1818	72
Ditto*	3,500,000	—	Ditto	1822	84
Portuguese	1,500,000	—	B. A. Goldschmidt & Co.	1823	87
Peruvian	450,000	6	Frys & Chapman	1822	88
Ditto	750,000	—	Ditto	1824	82
Ditto	616,000	—	Ditto	1825	78
Russian*	3,500,000	5	N. M. Rothschild	1822	82
Spanish	1,500,000	—	A. F. Haldimand	1821	56
Ditto	1,500,000	—	J. Campbell & Co.	1823	30¼

Those marked thus * continue to pay the dividends.

Many of these have since been discontinued.

1824. *In this year Mr. Fauntleroy, the acting partner in the banking-house of Messrs. Marsh,* Sibbald, and Co., of Berners Street, Oxford Street, was executed for forging powers of attorney for the sale of government stock. The following statement was made at the trial: —

"The Attorney-General, in his address to the jury, described the prisoner as the acting partner in the house of Marsh and Co. in Berners Street. Mr. Fauntleroy, the father of the prisoner, became a partner at its establishment, and continued such till his death, in 1807. At that period the prisoner was admitted into the concern, and became the most active member of it. In 1815, Frances Young, of Chichester, a customer of the house, lodged in their hands a power of attorney to receive the dividends on 5,450*l.* 3 per cent. consols. The dividends were regularly received; but soon afterwards another power of attorney, authorising the prisoner to sell that stock, was presented to the bank, and the sale was effected by him; to this power the prisoner had forged the names of Frances Young, and of two witnesses to it. But the most extraordinary part of the case was, that among the prisoner's private papers, contained in a tin box, there had been found one in which he acknowledged his guilt, and adduced a reason for his conduct.

"The Attorney-General then read the paper, which presented the following items, &c.:—De la Place, 11,150*l.* 3 per cent. consols; E. W. Young, 5,000*l.* consols; General Young, 6,000*l.* consols; Frances Young, 5,000*l.* consols; H. Kelly, 6,000*l.* consols; Lady Nelson, 11,995*l.* consols; Earl of Ossory, 7,000*l.* 4 per cents.; W. Bowen, 9,400*l.* 4 per cents.; —— Parkins, 4,000*l.* consols.

"Sums were also placed to the names of Mrs. Pelham, Lady Aboyne, W. R. and H. Fauntleroy, and Elizabeth Fauntleroy; and the learned gentleman observed that all the sums were added together, and the sum total, 120,000*l.*, appeared at the foot of this list in the prisoner's handwriting. The statement was followed by this declaration: —

"'In order to keep up the credit of our house, I have forged powers of attorney for the above sums and parties, and sold out to the amount here stated, and without the knowledge of my partners. I kept up the payment of the dividends, but made no entries of such payments in our books.

"'Signed,

"'HENRY FAUNTLEROY.

"'*Berners Street, May* 7. 1816.

"'P. S. The Bank began first to refuse to discount our acceptances, and to destroy the credit of our house; the Bank shall smart for it.'"

The total loss sustained by the Bank of England by all the forgeries committed by Mr. Fauntleroy up to the time of his apprehension, amounted to 360,000*l.* The banking-house of Marsh, Sibbald, and Co. immediately became bankrupts.

1825. At the commencement of this year there was every appearance of general prosperity, but in December occurred "THE PANIC."

The course of exchange, being unfavourable, had occasioned a demand for gold for exportation. The bank became under the necessity of restraining its issues.

The house of Sir Peter Pole and Co., who were agents to several country banks, stopped payment. This occasioned a general alarm, and the notes of private bankers became discredited throughout the country. As the Bank of England had ceased to issue notes under 5*l.*, they were obliged to find gold to the country bankers to pay off their notes; but their gold failing, they re-issued their 1*l.* notes, some of which, happily, had not been destroyed. Notwithstanding the great liberality of the bank, several London bankers, and a much greater number of country bankers, were obliged to suspend their payments. Most of the joint-stock companies that had been formed in the season of speculation fell to the ground.

The following is the opinion of J. H. Palmer, Esq., the governor of the bank, as to the causes of the wild spirit of speculation which had preceded the panic: —

"Will you state to the committee what, in your opinion, was the nature and the march of the crisis in 1825? — I have always considered that the first step towards the excitement was the reduction of the interest upon the government securities; the first movement in that respect was, I think, upon 135,000,000*l.* of five per cents., which took place in 1823. In the subsequent year, 1824, followed the reduction of 80,000,000*l.* of four per cents. I have always considered that reduction of interests, one fifth in one case, and one-eighth in the other, to have created the feverish feeling in the minds of the public at large; which prompted almost every body to entertain any proposition for investment, however absurd, which was tendered. The excitement of that period was further pro-

moted by the acknowledgment of South American republics by this country, and the inducements held out for engaging in mining operations, and loans to those governments, in which all classes of the community in England seem to have partaken almost simultaneously. With those speculations arose general speculation in commercial produce, which had an effect of disturbing the relative values between this and other countries, and creating an unfavourable foreign exchange, which continued from October, 1824, to November, 1825, causing a very considerable export of bullion from the bank; about seven millions and a half. Commercial speculations had induced some bankers, one particularly, to invest money in securities not strictly convertible, to a larger extent than was prudent; they were also largely connected with country bankers. I allude to the house of Messrs. Pole and Co.: a house originally possessed of very great property, in the persons of the partners, but which fell with the circumstances of the times. The failure of that banking-house was the first decisive check to commercial and banking credit, and brought at once a vast number of country bankers, which were in correspondence with it, into difficulties. That discredit was followed by a general discredit throughout London and the interior." (p. 47).

Some of the other witnesses considered the panic to have arisen from an over-issue of notes on the part of the Bank of England and the country bankers. But whatever may have been the cause, the bank certainly acted with great liberality at the period of the alarm, even at the risk of its own stoppage of payment.

"Will you describe the manner in which the bank lent its assistance at that time?—We lent it by every possible means, and in modes that we never had adopted before. We took in stock as security; we purchased exchequer bills; we made advances on exchequer bills; we not only discounted outright, but we made advances on deposit of bills of exchange to an immense amount; in short, by every possible means consistent with the safety of the bank; and we were not upon some occasions over nice: seeing the dreadful state in which the public were, we rendered every assistance in our power.

"Did any communication take place between the bank and the government respecting an order in council to restrain payments in gold at that period?—Yes, it was suggested by the bank.

"What answer did his majesty's government give to that?—They resisted it from first to last.

"The Bank of England issued one-pound notes at that period. Was that done to protect its remaining treasure?—Decidedly; and it worked wonders, and it was by great good luck that we had

the means of doing it: because one box containing a quantity of one pound notes had been overlooked, and they were forthcoming at the lucky moment.

"Had there been no foresight in the preparation of these one pound notes? — None whatever, I solemnly declare.

"Do you think that issuing of the one pound notes did avert a complete drain? — As far as my judgment goes, it saved the credit of the country."

(*Evidence of Jeremiah Harman, Esq., page* 154.)

On the last day of December, 1825, the coin and bullion in the bank amounted to only 1,260,890*l.*

Dec. 13. The bank raised the rate of discount from four to five per cent. upon bills not having more than ninety-five days to run. This rate continued until July, 1827.

1826, Jan. 13. The government made a communication to the bank directors, stating their intention, in order to prevent a recurrence of panic, to propose to parliament the gradual abolition of country bank notes under 5*l.*: and also proposing to the bank,

"First, That the Bank of England should establish branches of its own body in different parts of the country.

"Secondly, That the Bank of England should give up its exclusive privilege as to the number of partners engaged in banking, except within a certain distance from the metropolis."

The directors were at first unwilling to establish branches, but ultimately they acceded to both the above propositions.

The government also induced the bank to make advances upon the security of goods, and accordingly the bank established boards for this purpose at the following places, and advanced to the undermentioned amounts: —

Manchester	£115,490	Huddersfield	£30,300
Glasgow	81,700	Birmingham	19,600
Sheffield	59,500	Dundee	16,500
Liverpool	41,450	Norwich	2,400

To carry these measures into effect several Acts of Parliament were passed, viz.

"An Act to facilitate the advancing of money by the governors and company of the Bank of England, upon deposits and pledges." (7 Geo. IV. c. 7.) It was enacted that persons in possession of bills of lading, warrants, &c. should be deemed owners of the goods therein mentioned, so far as to make valid any contracts for the advance of money thereupon by the Bank of England.

"An Act to limit, and after a certain period to prohibit the issuing of promissory notes, under a limited sum, in England." (7 Geo. IV. c. 6.) By this Act no further notes under 5*l.* were allowed to be stamped, and those already stamped could not be issued or re-issued after the 5th of April, 1829, under a penalty of 20*l.* The Bank of England were required to make monthly returns to the treasury, of the weekly amounts of their notes in circulation under 5*l.* to be published in the Gazette, and laid before parliament. And after the 5th of April, 1829, all bankers' notes under 20*l.* were to be made payable at the place of issue, though they might also be made payable at other places.

"An Act for the better regulating copartnerships of certain bankers in England, &c." (7 Geo. IV. c. 46.) According to this Act—

1. Banks having more than six partners might carry on business in England at a greater distance than sixty-five miles from London, provided they have no establishment as bankers in London, and that all the partners are liable for the whole debts of the bank.

2. The banks shall not issue their notes at a place within sixty-five miles from London, nor draw any bills on London for a less amount than 50*l.*

3. The banks may sue, and be sued in the name of their public officers; and when judgment is obtained against such public officers, execution may be issued against any member of the copartnership.

4. Previous to issuing notes, the bank shall deliver to the stamp office, schedules containing the name or

title of the bank — the names and places of abode of all the partners — the names of the places where the banks are established — and the names and descriptions of the public officers in whose names the bank wishes to sue and be sued.

5. These banks are allowed to compound for the stamp duties on their notes, at the rate of seven shillings per cent. per annum for every 100*l.* in circulation.

By the fifteenth clause of this Act, the Bank of England were expressly authorised to establish branches. This was enacted to "prevent any doubts that might arise" upon the subject. The bank accordingly opened branches this year at Gloucester, Manchester, and Swansea.

1827, July 5. The bank reduced the rate of discount from five to four per cent.

The extension of the branches of the Bank of England this year occasioned great dissatisfaction among the country bankers. The establishment of rival banks in their own neighbourhood, was a circumstance that the country bankers could not view with indifference. They declared that the Bank of England, and not themselves, had been the cause of the previous spirit of speculation; that the Bank of England, by their advances to government and loans on mortgage, had made excessive issues, and that now to extend their influence, at the expense of the country bankers, was to reward the guilty, and to punish the innocent. The country bankers had been accustomed to charge five per cent. on the bills they discounted, and at some places five or six shillings commission besides the discount, but the branches of the Bank of England charged only four per cent. without any commission. The country bankers were of course compelled to do business on the same terms, or to permit their customers to go to the branch. The chief advantage the country bankers possessed over the branch banks was, that they continued to allow interest on deposits, which the branch banks did not. But the additional

confidence which was then possessed by the branch banks may, notwithstanding, have induced some depositors to give them a preference to the country bankers.

On December 7., the country bankers held a meeting at the London Tavern, Bishopsgate Street, where they passed several resolutions, and appointed a deputation to wait upon Lord Goderich, the First Lord of the Treasury, and Mr. Herries, the Chancellor of the Exchequer. Among other resolutions, are the following: —

"That the late measures of the Bank of England in the establishment of branch banks have the evident tendency to subvert the general banking system that has long existed throughout the country, and which has grown up with, and been adopted to the wants and conveniences of the public.

"That it can be distinctly proved that the prosperity of trade, the support of agriculture, the increase of general improvement, and the productiveness of the national revenue, are intimately connected with the existing system of banking.

"That the country bankers would not complain of rival establishments, founded upon equal terms; but they do complain of being required to compete with a great company, possessing a monopoly and exclusive privileges.

"That should this great corporation, conducted by directors, who are not personally responsible, succeed by means of these exclusive advantages, in their apparent object of supplanting the existing banking establishments, they will thereby be rendered masters of the circulation of the country, which they will be enabled to contract or expand according to their own will, and thus be armed with a tremendous power and influence, dangerous to the stability of property and the independence of the country."

At a meeting held at the same place, on the 16th of December, Sir John Wrottesley, Bart., M.P., the chairman, reported to the meeting the result of the interview of the deputation with Lord Goderich and the chancellor of the exchequer on that day, and read their answer as follows: — "Lord Goderich and the chancellor of the exchequer state to the deputation, that they were fully sensible of the great importance of the subjects which were brought before them by the deputation; and that, although it was obviously impossible that they could undertake, on the part of

the government, to express upon that occasion any opinion upon the matters under consideration, they could assure the deputation that all that had been communicated should receive the most deliberate and serious attention."

The country bankers complained, too, that the branch banks, instead of meeting them on the footing of equality, had refused to take their notes, unless the bankers had previously opened accounts with the branch banks, and provided funds for the purpose.

1828. Another subject of complaint on the part of the country bankers. — The Bank of England had always issued their notes and post bills unstamped, in consideration of paying, as a composition for the stamp duties, 3500*l.* per annum on every 1,000,000*l.* in circulation. When the branches were established they issued bills, drawn upon the parent establishment in London at twenty-one days after date, without being stamped, alleging that these were included in their composition. At the same time the country bankers could not draw bills upon London without paying the stamp duty. In a memorial, presented to the government by the bankers in the town and neighbourhood of Birmingham, it was shown that the stamp duty on a bill, drawn at twenty-one days on London, is three shillings and sixpence, while under the composition the Bank of England would pay but five-pence; and that a circulation throughout the year of 10,000*l.*, in bills of exchange of 20*l.* each, would subject the Bank of England to a payment, in lieu of stamp duty, of only 35*l.*, while other banks would have to pay 650*l.* An Act of parliament (9 Geo. IV. c. 23.) was accordingly passed, to enable country bankers to compound for their stamp duties on the same terms as the Bank of England, and to include bills drawn upon London at twenty-one days' date in the composition. By this law the country bankers have the advantage of paying duty only on the amount of notes in circulation.

May 9. "The humble memorial of the country bankers in England and Wales" was presented to "the lords commissioners of his Majesty's treasury" against the branch banks. It concludes thus: —

"Your memorialists therefore deeply regret that your lordships do not feel justified in adopting measures for the withdrawal of the branch banks, and they hope that your lordships will be pleased, as far as lies in your lordships' power, to prevent any interference with the business of your memorialists; and that your lordships will be pleased to institute an inquiry into the system of country banking, and take into your lordships' consideration the claims of the country bankers to be regarded as parties in the intended application for the renewal of the bank charter, and that no special privilege or monopoly be granted or continued to the governor and company of the Bank of England; but that they may be placed on a perfect equality with country bankers in the competition, which, by means of their branches, they are now carrying on with your memorialists."

The government replied, "that the interests of the country bankers should not be neglected in any negotiation between the government and the Bank of England for the renewal of the bank charter."

In order to relieve the money market from the pressure which was always felt during the seasons that the funds were closed previous to the payment of the dividends, the bank commenced the practice of advancing loans during those periods upon the lodgment of securities. The following notices were accordingly issued: —

"*Bank of England, December* 3. 1829.

"The governor and company of the Bank of England do hereby give notice, that from and after the 5th instant, they will be ready to receive applications for loans, at an interest of 3*l.* per cent. per annum upon the deposits of bills of exchange, exchequer bills, and East India bonds; such loans to be repaid with interest on or before the 15th January next, and to be for sums of not less than 2000*l.*, and for a period of not less than ten days."

"*December* 3. 1829.

"The governor and company of the Bank of England do hereby give notice, that from and after this day they will be ready to receive applications for loans upon the deposit of gold bullion, valued at 77*s.* 9*d.* per ounce, at 2*l.* per cent. per annum interest."

1830. The government reduced the interest on the new four per cent. stock to three and a half per cent.

This stock was formed in the year 1822, by the reduction of the navy five per cents. to four per cent. The holders had the option of receiving for every 100*l.* new four per cents.; either 100*l.* stock at three and a half per cent., not redeemable until the year 1840, or 70*l.* at five per cent., not redeemable until the year 1873. Most of the holders chose the former. This stock is called "*new* three and a half per cent.," and amounts to above 139,000,000*l.* The other stock, formed by those who chose the 70*l.*, is called the new five per cents., and amounts to little more than 466,000*l.*

1831. "An account of the amount of silver coin melted; also the loss sustained by the Bank of England thereby, in 1831."

Amount of silver coin melted in bars	£565,000		
Ditto, melted and re-coined	35,000		
	£600,000		
Loss on sixpenny pieces	£4,601	1	3
Loss on other denominations	62,982	19	2
	£67,584	0	5

1832. May 22. A committee of secrecy was appointed by the House of Commons, to inquire into the expediency of renewing the charter of the Bank of England, and into the system on which banks of issue in England and Wales are conducted.

The committee was composed of the following members: —

Lord Visc. Althorp.	Mr. J. Smith.	Mr. Heywood.
Sir R. Peel, Bart.	Mr. Robarts.	Ld. Vis. Ebrington.
Lord John Russell.	Sir M. Ridley, Bart.	Mr. Lawley.
Mr. Goulburn.	Mr. Attwood.	Sir J. Wrottesley, Bart.
Sir J. Graham, Bart.	Sir J. Newport, Bart.	Lord Cavendish.
Mr. Herries.	Mr. Baring.	Mr. Alderman Wood.
Mr. P. Thomson.	Mr. Irving.	Mr. Strutt.
Mr. Courtenay.	Mr. Warburton.	Mr. Bonham Carter.
Colonel Maberly.	Mr. G. Phillips.	Mr. E. J. Stanley.
Sir H. Parnell, Bart.	Mr. J. Morrison.	Mr. Ald. Thompson.
Mr. Vernon Smith.	Lord Visc. Morpeth.	

On the 11th day of August the committee delivered the following report: —

"The secret committee, appointed to inquire into the expediency of renewing the charter of the Bank of England, and into the system on which banks of issue in England and Wales are conducted, and to whom the petition of certain directors of joint-stock banking companies in England was referred, and who were empowered to report the minutes of evidence taken before them, have agreed upon the following report: —

"Your committee have applied themselves to the inquiry which the House has committed to them, by calling for all the accounts which appeared to them necessary for the purpose of elucidating the affairs of the Bank of England, and have examined evidence for the purpose of ascertaining the principles on which it regulates the issues of its notes, and conducts its general transactions. They feel bound to state that the directors of the Bank of England have afforded to them every facility in their power, and have most readily and candidly answered every question which has been put to them, and produced every account which has been called for. The committee have also examined such witnesses as appeared to them, from their practical knowledge and experience, most likely to afford information on the important subjects under their consideration, who have all been ready to give the committee the most ample information.

"The principal points to which they have directed their attention are —

"*First.*—Whether the paper circulation of the metropolis should be confined, as at present, to the issues of one bank, and that a commercial company; or whether a competition of different banks of issue, each consisting of an unlimited number of partners, should be permitted.

"*Secondly.* — If it should be deemed expedient that the paper circulation of the metropolis should be confined, as at present, to the issues of one bank, how far the whole of the exclusive privileges possessed by the Bank of England are necessary to effect this object.

"*Thirdly.* — What checks can be provided to secure for the public a proper management of banks of issue, and especially whether it would be expedient and safe to compel them periodically to publish their accounts.

"With respect to the circulation of paper in this country, the committee have examined,—*First*, into the effect produced by the establishment of the branch banks of the Bank of England; and *secondly*, into the expediency of encouraging the establishment of joint stock banks of issue in the country.

"On all these, and on some collateral points, more or less information will be found in the minutes of evidence; but on no one of them is it so complete as to justify the committee in giving a decided opinion.

"The period of the session at which the committee commenced their labours, the importance and extent of the subjects, and the approaching close of the session, will sufficiently account to the House for the limited progress of the inquiry, and for the incompleteness of the materials which have been collected for the purpose of forming an opinion ; — they have thought it better, therefore, to submit the whole of the evidence which they have taken, with a very few exceptions, to the consideration of the House.

"In their opinion, no public inconvenience will arise from this publication. The only parts of the evidence which they have thought it necessary to suppress, are those which relate merely to the private interests of individuals.

"The House will perceive that the committee have presented, as part of the evidence which they have taken, the actual amount of bullion at different times in the hands of the Bank of England. This information has never before been given to the public ; it is, however, very essential to a complete knowledge of the subject ; and if it had been suppressed by the committee, many parts of the evidence would have been unintelligible, and a false impression would have been produced in the minds of the public, that the bank were not so well provided with bullion as is desirable, which might have a very injurious effect. The House will, however, observe that the bank is amply provided with bullion at the present time ; and it does not, therefore, appear to the committee that this information being now given to the public, can be productive of any injurious consequences.

"The committee, however, by no means wish it to be understood, from their having felt themselves called upon to include this evidence in their report, that they have formed any opinion as to the propriety of periodically publishing the affairs of this or of any other bank of issue. There appears to be a difference between a publication of the affairs of the bank when an inquiry is instituted for the purpose of deciding whether the bank charter shall be renewed or not, and a periodical publication during the course of its ordinary transactions.

"Of the ample means of the Bank of England to meet all its engagements, and of the high credit which it has always possessed, and which it continues to deserve, no man who reads the evidence taken before this committee can for a moment doubt ; for it appears that, in addition to the surplus rest in the hands of the bank itself, amounting to 2,880,000*l.* the capital, on which interest is paid to the proprietors, and for which the State is debtor to the bank, amounts to 14,553,000*l.*, making no less a sum than 17,433,000*l.* over and above all its liabilities."

From the information laid before the committee, I have selected or constructed the following tables : —

TABLE I.

An account of the average amounts of gold and silver bullion held by the bank in the following years, ending Feb. 28. ; — distinguishing gold from silver.

Years.	Gold.	Silver.	Total.
	£	£	£
1815	1,938,265	240,882	2,179,147
1816	2,828,707	570,407	3,399,114
1817	6,643,100	861,184	7,504,284
1818	10,147,115	962,266	11,109,381
1819	6,066,603	655,044	6,721,647
1820	3,663,561	305,967	3,969,528
1821	6,291,446	1,882,973	8,174,419
1822	9,162,298	2,468,792	11,631,090
1823	8,135,629	2,119,069	10,254,698
1824	10,805,780	1,801,183	12,606,963
1825	10,213,247	1,645,348	11,858,595
1826	3,719,824	601,878	4,321,702
1827	5,880,811	727,165	6,607,976
1828	9,505,630	695,623	10,201,253
1829	8,749,920	1,013,210	9,763,130
1830	5,736,186	1,519,586	7,255,772
1831	8,235,162	2,095,199	10,330,361
1832	5,853,334	551,924	6,405,258

TABLE II.

An account of the amount of the notes of the Bank of England in circulation — the amount of all deposits — the amount of the surplus capital — the amount of all securities held by the bank, and the amount of bullion in the bank on the last day of February in each of the following years.

	CAPITAL RAISED.			CAPITAL INVESTED.		
Year.	Circulation.	Deposits.	Rest, or Surplus Capital.	Public Securities	Private Securities.	Bullion.
1778	7,440,330	4,662,150	1,128,730	7,898,292	3,322,228	2,010,690
1779	9,012,610	4,358,160	1,276,290	8,862,242	2,073,668	3,711,150
1780	8,410,790	4,723,890	1,347,410	9,145,659	1,755,371	3,581,060
1781	7,092,450	5,796,830	1,576,800	8,640,073	2,546,067	3,279,940
1782	8,028,880	6,130,300	1,792,750	10,346,065	3,448,015	2,157,860
1783	7,675,090	4,465,000	1,976,880	10,016,349	2,779,431	1,321,190
1784	6,202,760	3,903,920	2,168,380	7,789,291	3,829,929	655,840
1785	5,923,090	6,669,160	2,321,060	7,198,564	4,973,926	2,740,820
1786	7,581,960	6,151,660	2,598,710	6,836,459	3,516,781	5,979,090
1787	8,329,840	5,902,080	2,753,820	7,642,587	3,716,463	5,626,690
1788	9,561,120	5,177,050	2,869,780	7,833,857	4,030,653	5,743,440
1789	9,807,210	5,537,370	2,844,840	8,249,582	2,711,108	7,228,730
1790	10,040,540	6,223,270	2,701,310	8,[illegible],387	1,984,733	8,633,000
1791	11,439,200	6,364,550	2,668,300	10,380,358	2,222,282	7,869,410
1792	11,307,380	5,523,370	2,705,870	9,938,799	3,129,761	6,468,060

	CAPITAL RAISED.			CAPITAL INVESTED.		
Year	Circulation.	Deposits.	Rest, or surplus Capital.	Public Securities.	Private Securities.	Bullion.
1793	11,888,910	5,346,450	2,780,570	9,549,209	6,456,041	4,010,680
1794	10,744,020	7,891,810	2,875,830	9,950,756	4,573,794	6,987,110
1795	14,017,510	5,973,020	2,948,530	13,164,172	3,647,168	6,127,720
1796	10,729,520	5,702,360	3,247,590	12,951,812	4,188,028	2,539,630
1797	9,674,780	4,891,530	3,357,610	11,714,431	5,123,319	1,086,170
1798	13,095,830	6,148,900	3,383,710	11,241,333	5,558,167	5,828,940
1799	12,959,800	8,131,820	3,511,310	11,510,677	5,528,353	7,563,900
1800	16,844,470	7,062,680	3,661,150	13,975,663	7,448,387	6,144,250
1801	16,213,280	10,745,840	4,105,730	15,958,011	10,466,719	4,640,120
1802	15,186,880	6,858,210	4,067,680	14,199,094	7,760,726	4,152,950
1803	15,319,930	8,050,240	4,321,480	9,417,887	14,497,013	3,776,750
1804	17,077,830	8,676,830	4,616,450	14,684,686	12,314,284	3,372,140
1805	17,871,170	12,083,620	4,590,400	16,889,501	11,771,889	5,883,800
1806	17,730,120	9,980,790	4,867,350	14,813,599	11,777,471	5,987,190
1807	16,950,680	11,829,320	4,771,300	13,452,871	13,955,589	6,142,840
1808	18,188,860	11,961,960	5,088,730	14,149,501	13,231,579	7,855,470
1809	18,542,860	9,982,950	5,081,090	14,743,425	14,371,775	4,488,700
1810	21,019,600	12,457,310	5,403,080	14,322,634	21,055,946	3,501,410
1811	23,360,220	11,445,650	5,667,420	17,201,800	19,920,550	3,350,940
1812	23,408,320	11,595,200	6,005,960	22,127,253	15,899,037	2,983,190
1813	23,210,930	11,268,180	6,336,340	25,036,626	12,894,324	2,884,500
1814	24,801,080	12,455,460	6,937,800	23,630,317	18,359,593	2,204,430
1815	27,261,650	11,702,250	7,631,510	27,512,804	17,045,696	2,036,910
1816	27,013,620	12,388,890	8,639,680	19,425,780	23,975,530	4,640,880
1817	27,397,900	10,825,610	5,736,090	25,538,808	8,739,822	9,680,970
1818	27,770,970	7,997,550	5,192,270	26,918,360	3,991,970	10,055,460
1819	25,126,700	6,413,370	4,099,550	22,355,115	9,099,885	4,184,620
1820	23,484,110	4,093,550	3,520,880	21,715,168	4,472,322	4,911,050
1821	23,884,920	5,622,890	3,158,360	16,010,990	4,785,280	11,869,900
1822	18,665,350	4,689,940	3,674,940	12,478,183	3,494,947	11,057,150
1823	18,392,240	7,181,100	3,130,620	13,658,829	4,660,901	10,384,230
1824	19,736,990	10,097,850	2,847,220	14,341,127	4,530,873	13,810,060
1825	20,753,760	10,168,780	2,807,890	19,447,588	5,503,742	8,779,100
1826	25,467,910	6,935,940	2,974,240	20,573,258	12,345,322	2,459,510
1827	21,890,610	8,801,660	2,996,280	18,685,015	4,844,515	10,159,020
1828	21,980,710	9,198,140	2,749,710	19,818,777	3,762,493	10,347,290
1829	19,870,850	9,553,960	2,794,960	19,736,665	5,648,085	6,835,020
1830	20,050,730	10,763,150	2,561,510	20,038,890	4,165,500	9,171,000
1831	19,600,140	11,213,530	2,612,360	19,927,572	5,281,408	8,217,050
1832	18,051,710	8,937,170	2,637,760	18,497,448	5,836,042	5,293,150

It will be observed, that the first three columns of the above table, added together, are equal in amount to the last three. Thus the circulation, the deposits, and the rest, are equal to the public securities, the private securities, and the bullion. Take for example the year 1832 : —

Circulation ...	£18,051,710	Public securities	£18,497,448
Deposits	8,937,170	Private ditto.....	5,836,042
Rest	2,637,760	Bullion	5,293,150
	£29,626,640		£29,626,640

Thus the total capital possessed by the bank, on the last day of February, 1832, was 29,626,640*l.*: of which 18,051,710*l.* was raised by the circulation of notes; 8,937,170*l.* was raised by deposits; and 2,637,760*l.* was real capital belonging to the bank, over and above its capital of 14,686,800*l.*, which is lent to government at three per cent. This capital of 29,626,640*l.* was employed as denoted in the last three columns of the table: 18,497,448*l.* was invested in government securities; 5,836,042*l.* in private securities; and 5,293,150*l.* in gold and silver bullion, either coined or uncoined.

It is seen by the third and fourth columns of this table, that the bank employ their trading capital in public and private securities. The public securities consist chiefly of government stock and exchequer bills; the private securities are chiefly bills of exchange. It has latterly been considered by the bank desirable that one third of their capital raised by notes and deposits should be invested in bullion, and the remaining two thirds in public and private securities. If, however, an amount of bills is presented for discount, which would exceed this proportion, the bank do not reject the bills, but they sell out the government securities.

TABLE III.

The following table exhibits the amount of notes under 5*l.* in circulation on the last day of February, from 1798 to 1832 inclusive.

Year	Circulation.	Year.	Circulation	Year.	Circulation.	Year.	Circulation
1798	1,448,220	1807	4,109,890	1816	9,001,400	1825	416,730
1799	1,465,650	1808	4,095,170	1817	8,136,270	1826	1,375,250
1800	1,471,540	1809	4,301,500	1818	7,400,680	1827	661,390
1801	2,634,760	1810	5,860,420	1819	7,354,230	1828	416,260
1802	2,612,020	1811	7,114,090	1820	6,689,130	1829	356,830
1803	2,968,960	1812	7,457,030	1821	6,437,560	1830	320,490
1804	4,531,270	1813	7,713,610	1822	1,374,850	1831	306,870
1805	4,860,160	1814	8,345,540	1823	681,500	1832	299,100
1806	4,458,600	1815	9,035,250	1824	486,100		

TABLE IV.

A statement of the affairs of the bank, Feb. 29. 1832.

THE BANK.

Dr.

To bank notes outstanding		£18,051,710
To public deposits, viz.		
Drawing accounts	2,034,790	
Balance of audit roll	550,550	
Life annuities unpaid	85,030	3,198,730
Annuities for terms of yrs. unpaid	38,360	
Exchequer bills depos^d.	490,000	
To private deposits, viz.		
Drawing accts.	5,683,870	5,738,430
Various other debts	54,560	
To the Bank of England for the capital		14,553,000
To balance of surplus in favour of the Bank of England		2,637,760
		£44,179,630

Cr.

By advances on government securities, viz.		
Exchequer bills on the growing produce of the consolidated fund in the quarter ending		
5th April, 1832,	3,428,340	
5th July, ditto	697,000	£4,134,940
Exch. bills on supplies 1825	7,600	
Ditto for £10,500,000 for 1825	2,000	
By the advances to the trustees appointed by the Act 3 Geo. IV. c. 51. towards the purchase of an annuity of £585,740 for 44 years from the 5th April, 1823		10,897,880
By other creditors, viz.		
Exchequer bills purchased	2,700,000	
Stock purchased	764,600	
City bonds	500,000	
Bills and notes discounted	2,951,970	9,166,860
Loans on mortgages	1,452,100	
London Dock company	227,500	
Advances on security of various articles	570,690	
By cash and bullion		5,293,150
By the permanent debt due from government		14,686,800
		£44,179,630
Rest, or surplus, brought down		2,637,760
Bank capital due to proprietors		14,553,000
		£17,190,760

Besides the rest, or surplus capital, the bank hold dead stock to a considerable extent, such as buildings, &c.

TABLE V.

A statement of the receipts and expenses for the year ending 29th February, 1832.

Dr.		Cr.	
To annual expenses, forgeries, losses, and sundry items	£428,674	Profit and loss, rest......	£2,612,368
Stamp duty on circulation	70,875	By interest on loans and commercial bills	248,321
Dividend to proprietors...	1,164,235	Government securities held by the bank...	670,598
		Interest of capital received from government..................	446,502
		Allowance received for the management of the public debt......	251,896
	1,663,784	Profit on bullion, rent, and sundry items...	71,859
Rest......	2,637,760		
	4,301,544		£4,301,544
Rest, 29th Feb. 1832....	2,637,760		
Rest, 28th Feb. 1831....	2,612,368		
Increase...	£25,392		

The receipts of the bank for this year are thus classified: —

Interest on commercial bills..................................	£130,695
Interest on exchequer bills..................................	204,109
Annuity for 45 years (the dead-weight account)......	451,415
Interest on capital received from government.........	446,502
Allowance received for management of the public debt	251,896
Interest on loans on mortgages..........................	60,684
Interest on stock in the public funds.....................	15,075
Interest on private loans..................................	56,941
Profit on bullion, commission, rent, receipts on discounted bills unpaid, management of the business of the banks of Ireland, of Scotland, and royal bank of Scotland, and sundry items..............	71,859
	£1,689,176

In the total amount of annual expenses are included the following items: —

The expense for conducting the business of the funded debt..	£164,143
The expense attending the circulation of promissory notes and post bills......................................	106,092
The expense of the banking department, of which the proportion for the public accounts may be estimated at £10,000...	69,165
Total expense in the year ending February 29th, 1832	£339,400

The number of clerks and others employed in the first of these departments is 405; in the second, 242; and in the third, 173. The total number employed is as follows: —

820	Clerks and porters...........................	£211,903 10 10
38	Printers and engravers.........................	
82	Clerks and porters at the branches..........	
940	Average salary £225 each.	

Amount of pensions paid in the same period.

193 Pensioners, average £161 each..........£31,243 18 11

The average amount of loss to the bank from FORGERIES in the public funds during the last ten years is 40,204*l*.

TABLE VI.

An account of the annual profits of the bank, ending the last day of February in each of the following years.

Years.	Profits.	Years.	Profits	Years.	Profits.
1779	£740,460	1797	£924,988	1815	£1,857,950
1780	664,020	1798	841,068	1816	2,172,410
1781	822,290	1799	942,568	1817	1,316,780
1782	862,750	1800	2,129,048	1818	911,480
1783	830,930	1801	1,259,548	1819	362,580
1784	890,044	1802	1,359,038	1820	876,630
1785	851,224	1803	1,359,828	1821	1,092,780
1786	976,194	1804	1,109,938	1822	1,971,880
1787	853,654	1805	1,371,038	1823	910,980
1788	814,504	1806	1,674,038	1824	880,840
1789	790,028	1807	1,301,038	1825	1,124,910
1790	671,438	1808	1,481,670	1826	1,330,590
1791	781,958	1809	1,156,600	1827	1,186,280
1792	852,538	1810	1,486,230	1828	917,670
1793	889,668	1811	1,428,580	1829	1,209,490
1794	910,228	1812	1,502,780	1830	930,790
1795	887,668	1813	1,494,620	1831	1,215,090
1796	1,114,028	1814	1,765,700	1832	1,189,640

The table is constructed from the third column of the second table: that column is called by the bank

"the Rest." It is the balance of the profit and loss account. The increase of this balance, in any one year, shows that the bank has during that year realised as profit the amount of such increase, in addition to the amount distributed as dividends and bonuses to the proprietors. It will be perceived that for the most part the "rest" increased gradually every year. The year 1817 presents a great diminution, but that was in consequence of 2,910,600*l.* being taken from the surplus and added to the fixed capital. In the years 1801, 1802, 1804, 1805, and 1806, bonuses were given to the proprietors, and hence the "rest" was so much less on the following years.

In the years ending February, 1790 and 1791, the dividends were greater than the profits. Such was the case also in the years 1818, 1819, 1820, and 1821, as the bank continued to pay a dividend of ten per cent. upon the increased capital of 14,553,000*l.* But in 1822, the dividend was reduced to eight per cent. Still the profits declined; and in 1823, 1824, 1825, 1828, and 1830, the dividends were paid in part out of the surplus capital which had accumulated from the profits of preceding years.

From the above table it appears that the following years were remarkable for a great increase in the profits of the bank — 1786, 1796, 1800, 1805, 1806, 1814, 1815, 1816, 1822. By referring to Table II. we shall be able to form a probable opinion as to the causes of this increase.

1786. In the year ending February, 1786, the profits were 976,194*l.*; being an increase of 124,970*l.* over that of the preceding year, and 122,540*l.* over the following year. By referring to Tab. II. we find that between the last day of February, 1785 and 1786, the circulation of notes had increased from 5,923,090*l.* to 7,581,960*l.*: this no doubt was the main cause of the profits; for the deposits, the public securities, and the private securities had all decreased; and what was also unfavourable, a considerable increase had taken place in the stock of bullion. It seems likely that this increase of bullion did not occur till the latter end of the year, and the dimin-

ution of profits in the following years arose from keeping up this large amount of bullion.

1796. This year the profits had increased from 887,668*l.* to 1,114,028*l.* A great reduction had taken place in the circulation in the course of this year; but this decrease had probably been gradual, so that there was a profit for a good part of the year on the large amount; and on the other hand, there was an increase of above 500,000*l.* in the private securities or discounts; and a much larger decrease in the stock of bullion. The diminution in the amount of bullion was about the same amount as the diminution of the circulation, and was no doubt occasioned by a demand for gold upon the bank, in consequence of the unfavourable state of the foreign exchanges. This issue of gold, while confined to the amount the bank had previously on hand, would not diminish their profits. The gold might as well be in circulation as be confined in the coffers of the bank.

1800. This year the profits increased from 942,968*l.* to 2,129,048*l.* By reference to Table III. we find there was a great increase in the circulation,—the public securities and the private securities,—and a diminution in the amount of bullion. All these are favourable to an increase of profits.

1805. In this year the profits were much larger than those of the preceding year, having increased from 1,109,938*l.* to 1,371,038*l.* This arose from a great increase in the deposits, and also in the public securities.

1806. The profits again increased from 1,371,038*l.* to 1,674,038*l.* The cause of this is not very evident. The circulation, and the private securities, and the amount of bullion, are about the same as the preceding year. A reduction of 2,000,000*l.* has also taken place in the public securities. We should imagine there would be a reduction of profit, rather than an increase. Possibly, however, the public securities, which were parted with, were sold at much higher price than they cost, and hence might arise a considerable profit.

1814. The profits advanced from 1,494,620*l.* to 1,765,700*l.*, arising from an increase in the circulation, an increase in the deposits, and a considerable increase in the private securities.

1815. An increase of profits, arising from an increase in the circulation and in the public securities.

1816. An increase of profit, from 1,857,950*l.* to 2,172,410*l.* This profit seems to have risen chiefly from an increase in the private securities. Possibly some profit was also realised from the large reduction of the public securities. The profit on the increase in the deposits was not equivalent to the loss upon the increase of bullion.

1822. Here the profits rose from 1,092,780*l.* to 1,971,880*l.*, while every source of profit appears diminished. The circulation, the deposits, the public and the private securities, were all considerably less than in the preceding year: and the average stock of

bullion, as appears from Table I., much increased. The only way of accounting for this extraordinary profit, is to suppose that it was realised by the sale of public securities. They were reduced from 16,010,990*l.* to 12,478,133*l.*

I shall now notice those years in which there was a diminution of profits.

1790. In this year, the profits were only 671,438*l.*; and this, with an increase in the circulation, the deposits, and the public securities. But on the other hand there was a great falling off in the private securities, and an increase in the amount of bullion.

1798. The profits were only 841,068*l.* while the preceding year they amounted to 924,988*l.*, and the following year to 942,568*l.*, while there was a great increase in the circulation and the deposits. But there was also a great increase of bullion; from 1,086,170*l.* it was raised to 5,828,940*l.* This year, it will be recollected, was the period of the Bank Restriction Act being passed, and no doubt the bank went to great expense in order to obtain gold.

1804. The profits fell from 1,359,828*l.* to 1,109,938*l.*, notwithstanding an increase in the circulation, the deposits, and the public securities. There was, however, a diminution in the private securities.

1809. A fall in the profits from 1,481,670*l.* to 1,156,600*l.*: in consequence, it would appear, of a fall in the deposits.

1817. A fall of profit from 2,172,410*l.* to 1,316,780*l.* in consequence of a fall in the deposits, and an immense fall in the private securities. There was also an increase in the amount of bullion. This was the first year after the termination of the war.

1818. In this year the profits fell still lower, being only 911,480*l.* There was a further fall in the deposits, and a still greater fall in the private securities. And also an increase in the average stock of bullion as appears from Table I.

1819. The profits this year appear to be only 362,580*l.* notwithstanding a considerable increase in the private securities, and a great reduction in the stock of bullion. The bank returns are not sufficiently minute to enable us to account for this falling off. It may have been occasioned by losses, expenditure on bank buildings, &c., but we have no *data* upon which to form any conjecture on the subject.

1820. The profits, though still below the average, were a considerable advance on the preceding year, notwithstanding a reduction in the deposits, and in the private securities. It appears, however, by Table I. that there was a considerable reduction in the average stock of bullion.

1828. The profits were reduced from 1,186,280*l.* to 917,670*l.* in consequence of a reduction in the private securities, and an increase of bullion.

1830. An apparent fall of profits from 1,209,490*l.* to 930,790*l.* This, however, is only apparent; as a portion of the losses by

Fauntleroy's forgeries, amounting to 250,000*l.* were passed to the debit of the profit and loss account this year.

The profits of the bank are derived from the following sources:—First, the interest on their capital, which is lent to the public at three per cent. Secondly, the use of the rest, or surplus capital. Thirdly, the use of the capital, raised by the circulation and the deposits. Fourthly, the allowance they receive as agents for transacting the business of the government. There is another source of profit, arising from the accidental destruction of notes that are in circulation. The amount cannot be ascertained; but it may be presumed, from the following account, that the sum is not inconsiderable.

Table VII.

An account of the amount of bank notes in circulation, of dates beyond five, ten, fifteen, and twenty years respectively.

Bank notes of 5*l.* and upwards, and post bills outstanding, dated prior to 1st Jan. 1812 - -	£280,380
Ditto, dated between 1st Jan. 1812 and 1st Jan. 1817	95,600
Ditto, dated between 1st Jan. 1817 and 1st Jan. 1822	149,860
Ditto, dated between 1st Jan. 1822 and 1st Jan. 1827	511,490
Bank notes of 5*l.* and upwards, and post bills	1,037,330
The bank are unable to state what amount of 1*l.* and 2*l.* notes is outstanding of the dates above specified, but the present amount is - -	297,000

Table VIII.

An account of all distributions made by the Bank of England amongst the proprietors of bank stock, whether by money payments, transfer of five per cent. annuities, or otherwise, under the heads of bonus, increase of dividend, and increase of capital, betwixt the 25th February, 1797, and 31st March, 1832, in addition to the ordinary dividend of seven

pounds per cent. on the capital stock of that corporation existing in 1797; including therein the whole dividend paid since June, 1816, on their increased capital, stating the period when such distributions were made, and the aggregate amount of the whole:

In June, 1799, 10*l.* per cent. bonus in five per cents. 1797, on 11,642,400*l.* is		£1,164,240
May 1801, 5*l.* ditto Navy five per cents. ditto		582,120
Nov. 1802, $2\frac{1}{2}$*l.* ditto ditto ditto		291,060
Oct. 1804, 5*l.* ditto Cash ditto		582,120
Oct 1805, 5*l.* ditto ditto ditto		582,120
Oct. 1806, 5*l.* ditto ditto ditto		582,120
From April, 1807, to Oct. 1822, both inclusive	Increase of dividend at the rate of 3*l* per cent. per annum, on 11,642,400*l.* is 16 years	5,588,352
From April, 1823, to Oct. 1831, both inclusive	Increase of dividend at the rate of 1*l.* per cent. per annum on 11,642,400*l.* is 9 years	1,047,816
In June, 1816. Increase of capital at 25*l.* per cent. is		2,910,600
From Oct. 1816, to Oct. 1822 both inclusive	Dividend at the rate of 10*l* per cent. per annum on 2,910,600*l.* increased capital, is $6\frac{1}{2}$ years	1,891,890
From April, 1823, to Oct. 1831, both inclusive	Dividend at the rate of 8 per cent. per annum on 2,910,600*l.* increased capital is 9 years	2,095,632
	Aggregate amount of the whole	17,318,070
Annual dividend payable on bank stock in 1797, on a capital of 11,642,400*l.* at the rate of 7 per cent. per annum		814,968
Annual dividend payable since June, 1816, on a capital of 14,553,000*l.* to October, 1822, inclusive, at the rate of 10*l.* per cent per annum		1,455,300
Annual dividend payable from April, 1823, to 31st March, 1832, both inclusive, on a capital of 14,553,000*l.* at the rate of 8 per cent. per annum		1,164,240

On the 7th May, 1832, Lord Lyndhurst's motion for the postponement of the consideration of Schedule A. in the Reform Bill was carried in the House of Lords by a majority of 151 to 116. — This led the public to suppose that the whole bill would virtually be rejected, and in consequence of this apprehension a demand for gold in exchange for notes was made upon the Bank of England. The amount issued was about 1,500,000*l.* The largest sum paid in one day (May 14th) was 307,000*l.*

1833. May 31. A meeting of the proprietors of bank stock was held at the Bank of England, to receive a communication from the court of directors, of the result of the negotiation with his Majesty's government respecting the renewal of the bank charter. The following letter from Lord Althorp, the chancellor of the exchequer, was read by the secretary:

"*Downing Street, May* 2. 1833.

"Gentlemen,

"After duly considering the conversation I have had with you, the substance of which I have reported to my colleagues, his Majesty's government have directed me to make the following proposals to you for the purpose of renewing the bank charter.

"1. We propose to renew the charter for twenty-one years; subject, however, to this condition: — that if at the end of ten years the then existing government should so think fit, they may give a twelvemonth's notice to the bank that the charter shall expire at the end of eleven years.

"2. That no banking company consisting of more than six partners shall issue notes payable on demand within the metropolis, or within sixty-five miles from the metropolis. Banking companies, however, consisting of any number of partners established at a greater distance from the metropolis than sixty-five miles, shall have the right to draw bills on London without restriction as to their amounts, and to issue notes payable in London.

"3. Bank of England notes shall be a legal tender, except at the Bank of England, or at any of its branches.

"4. Bills not having more than three months to run before they become due, shall not be subject to the usury laws.

"5. An account, similar to that laid before the bank committee, of the amount of bullion, and securities in the hands of the bank, and of the amount of notes in circulation, and of the deposits in the hands of the bank, shall be transmitted, as a confidential paper, weekly to the chancellor of the exchequer: these accounts shall be consolidated at the end of each quarter, and the average state of the bank accounts for the preceding quarter published quarterly in the Gazette.

"A bill will be also introduced into parliament, with the view of regulating country banks. The provisions of this measure will be such as to hold out an inducement to the establishment of joint-stock banks who will not issue their own notes.

"His Majesty's government desire me to call your attention to the advantages which these different propositions are likely to confer upon the bank. Their tendency must be to extend the circulation of its notes, and by relieving bills at short dates from the

usury laws to facilitate its operations. While, on the other hand, the only relaxation in its exclusive privileges as they at present exist, which is required — is the permission given to joint-stock banks, established at a greater distance than sixty-five miles from the metropolis, to draw bills and to issue notes payable in London. His Majesty's government, therefore, think that they have a right to expect some considerable pecuniary advantages from the bank in the management of the government business. They consequently propose that government should repay to the bank twenty-five per cent. of the debts of 14,500,000*l.* now due, and that the bank should deduct from the payments made to them from the government for the transaction of the government business the annual sum of 120,000*l.*

"I hope that this proposal will be satisfactory to the bank directors, and that by making this arrangement an end may be speedily put to the suspense now existing.

"I have the honour to be,
"Gentlemen,
"Your most obedient humble Servant,
"ALTHORP.

"To the Governor and Deputy-Governor of the Bank of England."

After some discussion, the further consideration of this letter was adjourned to a future meeting.

In the same evening Lord Althorp brought forward the subject in the House of Commons. Besides the measures that were connected with the Bank of England, he announced the measures for regulating country banks. These were —

1. That government should have the power of granting charters to joint-stock banks issuing notes beyond sixty-five miles from London, and to joint-stock banks within the sixty-five miles, provided they issued only the notes of the Bank of England.

2. That the joint-stock banks which issued notes should be required to pay up one half of their capital, and all the shareholders be answerable individually to the full extent of their property.

3. That the joint-stock banks which did not issue their own notes should be required to pay up only one fourth of their capital, and the shareholders be responsible only to the amounts of their shares.

4. That the government when granting the charter

should have the power to decide whether the amount of capital subscribed was a sufficient amount for the place in which the bank was situated.

5. That each private bank should be required to send a statement of its accounts to the government in London, as a strictly confidential paper, which was not to be published in a separate form, but the accounts being added together, the total result should be given to the public periodically.

6. That to enable the government to know the total amounts of notes in circulation, each private bank, as well as each joint-stock bank, should be compelled to compound for the stamp duties.

The Bank of England proprietors agreed, at a subsequent meeting, to the measures which had a reference to them. But the country bankers expressed great dissatisfaction; and on the 12th of June, they presented a memorial to Earl Grey, the first lord of the treasury, and to Lord Althorp, the chancellor of the exchequer, upon the subject. In consequence of the opposition of the country bankers, Lord Althorp postponed his measures for the regulation of the private and joint-stock banks, and carried forward his plan for the renewal of the charter of the Bank of England. The following bill was ultimately passed into a law:

An Act for giving to the corporation of the governor and company of the Bank of England certain privileges, for a limited period, under certain conditions, Aug. 29. 1833.

"Whereas an Act was passed in the 39th and 40th years of the reign of his Majesty King George III., intituled an Act for establishing an agreement with the governor and company of the Bank of England, for advancing the sum of 3,000,000*l.* towards the supply for the service of the year 1800: and whereas it was by the said recited Act declared and enacted, that the said governor and company should be and continue a corporation, with such powers, authorities, emoluments, profits, and advantages, and such privileges of exclusive banking as are in the said recited Act specified, subject nevertheless to the powers and conditions of redemption, and on the terms in the said Act mentioned; and whereas an Act passed in the

7th year of the reign of his late Majesty King George IV. intituled an Act for the better regulating co-partnerships of certain bankers in England, and for amending so much of an Act of the 39th and 40th years of the reign of his late Majesty King George III. intituled an Act for establishing an agreement with the governor and company of the Bank of England for advancing the sum of 3,000,000*l.* towards the supply for the service of the year 1800, as relates to the same: and whereas it is expedient that certain privileges of exclusive banking should be continued to the said governor and company for a further limited period, upon certain conditions; and whereas the said governor and company of the Bank of England are willing to deduct and allow to the public, from the sums now payable to the said governor and company for the charges of management of the public unredeemed debt, the annual sum hereinafter mentioned, and for the period in this Act specified, provided the privilege of exclusive banking specified in this Act is continued to the said governor and company for the period specified in this Act."

Bank of England to enjoy an exclusive privilege of banking upon certain conditions:

"May it therefore please your Majesty, that it may be enacted, and be it enacted by the King's most excellent Majesty, by and with the advice and consent of the lords spiritual and temporal, and commons, in this present parliament assembled, and by the authority of the same, that the said governor and company of the Bank of England shall have and enjoy such exclusive privilege of banking as is given by this Act, as a body corporate for the period and upon the terms and conditions hereinafter mentioned, and subject to termination of such exclusive privilege at the time and in the manner in this Act specified."

During such privilege, no banking company of more than six persons to issue notes payable on demand, within London or sixty-five miles thereof:

"And be it further enacted, that during the continuance of the said privilege, no body politic or corporate, and no society or company, or persons united or to be united in covenants or partnerships exceeding six persons, shall make or issue in London, or within sixty-five miles thereof, any bill of exchange or promissory note, or engagement in the payment of money on demand, or upon which any person holding the same may obtain payment on demand, provided always, that nothing herein or in the said recited Act of the 7th year of the reign of his late Majesty King George IV. contained shall be construed to prevent any body politic or corporate, or any society or company, or incorporated company or corporation, or co-partnership, carrying on and transacting banking business at any greater distance than sixty-five miles from London, and not having

any house of business or establishment as bankers in London, or within sixty-five miles thereof (except as hereinafter mentioned) to make and issue their bills and notes, payable on demand or otherwise, at the place at which the same shall be issued, being more than sixty-five miles from London, and also in London, and to have an agent or agents in London, or at any other place at which such bills or notes shall be made payable for the purpose of payment only, but no such bill or note shall be for any sum less than 5*l.* or be re-issued in London, or within sixty-five miles thereof."

Any company or partnership may carry on the business of banking in London, or within sixty-five miles thereof, upon the terms herein mentioned:

"3. And whereas the intention of this Act is, that the governor and company of the Bank of England should, during the period stated in this Act, (subject, nevertheless to such redemption as is described in this Act,) continue to hold and enjoy all the exclusive privileges of banking given by the said recited Act of the 39th and 40th years of the reign of his Majesty King George III. aforesaid, as regulated by the said recited Act of the 7th year of his late Majesty King George IV., or any prior or subsequent Act or Acts of parliament, but no other or further exclusive privilege of banking: and whereas doubts have arisen as to the construction of the said Acts, and as to the extent of such exclusive privilege; and it is expedient that all such doubts should be removed, *be it therefore declared and enacted, that any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within sixty-five miles thereof, provided such body politic or corporate, or society, or company, or partnership, do not borrow, owe, or take up in England, any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said governor and company of the Bank of England.*"

All notes of the Bank of England payable on demand, which shall be issued out of London, shall be payable at the place where issued, &c.:

"4. Provided always, and be it further enacted, that from and after the 1st day of August, 1834, all promissory notes payable on demand of the governor and company of the Bank of England, which shall be issued at any place in that part of the United Kingdom called England, out of London, where the trade and business of banking shall be carried on for and on behalf of the said governor and company of the Bank of England, shall be made payable at the place where such promissory notes shall be issued; and it shall not

be lawful for the said governor and company, or any committee, agent, cashier, officer, or servant of the said governor and company, to issue, at any such place out of London, any promissory note payable on demand which shall not be made payable at the place where the same shall be issued; any thing in the said recited Act of the seventh year aforesaid to the contrary notwithstanding."

Exclusive privileges hereby given, to end upon one year's notice, given at the end of ten years after August, 1831; and what shall be deemed sufficient notice:

"5. And be it further enacted, that upon one year's notice given within six months after the expiration of ten years from the first day of August, 1834, and upon repayment by parliament to the said governor and company, or their successors, of all principal money, interest, or annuities, which may be due from the public to the said governor and company at the time of the expiration of such notice, in like manner as is hereinafter stipulated and provided, in the event of such notice being deferred until after the 1st day of August, 1855, the said exclusive privileges of banking granted by this Act shall cease and determine at the expiration of such year's notice; and any vote or resolution of the House of Commons, signified by the speaker of the said house in writing, and delivered at the public office of the said governor and company, or their successors, shall be deemed and adjudged to be a sufficient notice."

Bank notes to be a legal tender, except at the bank and branch banks:

"6. And be it further enacted, that from and after the 1st day of August, 1834, unless and until parliament shall otherwise direct, a tender of a note or notes of the governor and company of the Bank of England, expressed to be payable to bearer on demand, shall be a legal tender, to the amount expressed in such note or notes, and shall be taken to be valid as a tender to such amount for all sums above 5*l.* on all occasions on which any tender of money may be legally made, so long as the Bank of England shall continue to pay on demand their said notes in legal coin: provided always, that no such note or notes shall be deemed a legal tender of payment by the governor and company of the Bank of England, or any branch bank of the said governor and company; but the said governor and company are not to become liable or be required to pay and satisfy, at any branch bank of the said governor and company, any note or notes of the said governor and company not made specially payable at such branch bank; but the said governor and company shall be liable to pay and satisfy at the Bank of England in London all notes of the said governor and company, or of any branch thereof."

Bills not having more than three months to run, not to be subject to usury laws:

"7. And be it further enacted, that no bill of exchange or promissory note made payable at or within three months after the date thereof, or not having more than three months to run, shall, by reason of any interest taken thereon or secured thereby, or any agreement to pay, or receive, or allow interest in discounting, negotiating, or transferring the same, be void, nor shall the liability of any party to any bill of exchange or promissory note be affected by reason of any statute or law in force for the prevention of usury, nor shall any person or persons drawing, accepting, indorsing, or signing any such bill or note, or lending or advancing any money, or taking more than the present rate of legal interest in Great Britain and Ireland respectively for the loan of money on any such bill or note, be subject to any penalties under any statute or law relating to usury, or any other penalty or forfeiture; any thing in any law or statute relating to usury in any part of the United Kingdom to the contrary notwithstanding."

Accounts of bullion, &c. and of notes in circulation, to be sent weekly to the chancellor of the exchequer, &c.:

"8. And be it further enacted, that an account of the amount of bullion and securities in the Bank of England belonging to the said governor and company, and of notes in circulation, and of deposits in the said bank, shall be transmitted weekly to the chancellor of the exchequer for the time being, and such accounts shall be consolidated at the end of every month, and an average state of the bank accounts of the preceding three months, made from such consolidated accounts as aforesaid, shall be published every month in the next succeeding London Gazette."

Public to pay the bank one-fourth part of the debt of 14,686,800*l.*

"9. And be it further enacted, that one-fourth part of the debt of 14,686,800*l.* now due from the public to the governor and company of the Bank of England, shall and may be repaid to the said governor and company."

Capital stock of the bank may be reduced:—

"10. And be it further enacted, that a general court of proprietors of the said governor and company of the Bank of England shall be held at some time between the passing of this Act and the 5th day of October, 1834, to determine upon the propriety of dividing and appropriating the sum of 3,638,250*l.*, out of or by means of the sum to be repaid to the said governor and company as hereinbefore mentioned, or out of or by means of the fund to be provided for that

purpose, amongst the several persons, bodies politic or corporate, who may be proprietors of the capital stock of the said governor and company on the said 5th day of October, 1834, and upon the manner and the time for making such division and appropriation, not inconsistent with the provisions for that purpose herein contained; and in case such general court, or any adjourned general court, shall determine that it will be proper to make such division, then, but not otherwise, the capital stock of the said governor and company shall be, and the same is hereby declared to be reduced from the sum of 14,553,000*l.*, of which the same now consists, to the sum of 10,914,750*l.*, making a reduction or difference of 3,638,250*l.*, capital stock, and such reduction shall take place from and after the said 5th day of October, 1834; and thereupon out of or by means of the sum to be repaid to the said governor and company as hereinbefore mentioned, or out of or by means of the fund to be provided for that purpose, the sum of 3,638,250*l.* sterling, or such proportion of the said fund as shall represent the same, shall be appropriated and divided amongst the several persons, bodies politic or corporate, who may be proprietors of the said sum of 14,553,000*l*, bank stock on the said 5th day of October, 1834, at the rate of 25*l.* sterling for every 100*l.* of bank stock which such persons, bodies politic and corporate, may then be proprietors of, or shall have standing in their respective names in the books kept by the said governor and company for the entry and transfer of such stock, and so in proportion for a greater or lesser sum."

Governor, deputy-goveror, or directors, not to be disqualified by reduction of their share of the capital stock :

"11. Provided always, and be it enacted, that the reduction of the share of each proprietor of and in the capital stock of the said governor and company of the Bank of England, by the repayment of such one-fourth part thereof, shall not disqualify the present governor, deputy-governor, or directors, or any or either of them, or any governor, deputy-governor, or director, who may be chosen in the room of the present governor, deputy-governor, or directors at any time before the general court of the said governor and company to be held between the 25th day of March and the 25th day of April, 1835: provided that at the said general court, and from and after the same, no governor, deputy-governor, or director of the said corporation shall be capable of being chosen such governor, deputy-governor, or director, or shall continue in his or their respective offices, unless he or they respectively, shall at the time of such choice have, and during such his respective office continue to have, in his and their respective name, in his and their own right, and for his and their own use, the respective sums or shares of and in the capital stock of the said corporation in and by the charter of the said

governor and company prescribed as the qualification of governor, deputy-governor, and directors respectively."

Proprietors not to be disqualified :

"12. Provided also, and be it enacted, that no proprietor shall be disqualified from attending and voting at any general court of the said governor and company, to be held between the said 5th day of October, 1834, and the 25th day of April, 1835, in consequence of the share of such proprietor of and in the capital stock of the said governor and company having been reduced by such repayment as aforesaid below the sum of 500*l.* of and in the said capital stock; provided such proprietor had in his own name the full sum of 500*l.* of and in the said capital stock on the said 5th day of October, 1834; nor shall any proprietor be required, between the said 5th day of October, 1834, and the 25th day of April, 1835, to take the oath of qualification in the said charter."

Bank to deduct the annual sum of 120,000*l.* from sum allowed for management of national debt :

"13. And be it further enacted, that from and after the said 1st day of August, 1834, the said governor and company, in consideration of the privileges of exclusive banking given by this Act, shall, during the continuance of such privileges, but no longer, deduct from the sums now payable to the said governor and company, for the charges of management of the public unredeemed debt, the annual sum of 120,000*l.*, any thing in any act or acts of parliament or agreement to the contrary notwithstanding: provided always, that such deduction shall in no respect prejudice or affect the right of the said governor and company to be paid for the management of the public debt, at the rate and according to the terms provided in an Act passed in the 48th year of his late Majesty King George III., intituled 'An Act to authorize the advancing for the public service, upon certain conditions, a proportion of the balance remaining in the Bank of England, for payment of unclaimed dividends, annuities, and lottery prizes, and for regulating the allowances to be made for the management of the national debt.'"

Provisions of Act 39 and 40 Geo. III. to remain in force, except as altered by this Act :

"14. And be it further enacted, that all the powers, authorities, franchises, privileges, and advantages given or recognized by the said recited Act of the 39th and 40th years aforesaid, as belonging to or enjoyed by the governor and company of the Bank of England, or by any subsequent act or acts of parliament, shall be and the same are hereby declared to be in full force and continued by this Act, except so far as the same are altered by this Act, subject nevertheless to such redemption upon the terms and conditions following;

(that is to say,) that at any time, upon twelve months' notice to be given after the 1st day of August, 1855, and upon re-payment by parliament to the said governor and company, or their successors, of the sum of 11,015,100*l.*, being the debt which will remain due from the public to the said governor and company after the payment of the one fourth of the debt of 14,686,800*l.* as hereinbefore provided, without any deduction, discount, or abatement whatsoever, and upon payment to the said governor and company and their successors of all arrears of the sum of 100,000*l.* per annum, in the said Act of the 39th and 40th years aforesaid mentioned, together with the interest or annuities payable upon the said debt, or in respect thereof, and also upon re-payment of all the principal and interest which shall be owing unto the said governor and company and their successors, upon all such tallies, exchequer orders, exchequer bills, or parliamentary funds which the said governor and company or their successors shall have remaining in their hands, or be entitled to at the time of such notice to be given as last aforesaid, then and in such case, and not till then (unless under the proviso hereinbefore contained), the said exclusive privileges of banking granted by this Act shall cease and determine at the expiration of such notice of twelve months."

Act may be amended this session:

"15. And be it further enacted, that this Act may be altered, amended, or repealed by any Act to be passed in this session of parliament."

1834, March. At a meeting of the proprietors of bank stock, the governor stated, "the East India Company had so very large a balance at the bank that they proposed to draw it in order to employ it. On this, an arrangement was made between the company and the bank, by which the bank agreed to pay an interest of two per cent. for the sum of 1,500,000*l.* which it lent to the public at three per cent. There was a farther sum taken from the same body and at the same rate of two per cent. Of this sum the bank had lent 300,000*l.* at $2\frac{3}{4}$ per cent. and 200,000*l.* at $2\frac{1}{2}$ per cent." This was the first instance of the bank allowing interest on deposits.

May 7. The following notice relative to the reduction of the four per cents. of 1826 was this day communicated to the Bank of England from the Treasury, and immediately afterwards a copy was posted in the Stock Exchange.

"REDUCTION OF FOUR PER CENT. ANNUITIES, 1826.

"All holders of four per cents., commonly called four per cent. annuities, 1826, who shall not signify their dissent, shall have for every 100*l.* of the said four per cents. 100*l.* of new three and a half per cent. annuities, the dividend upon which shall be payable 5th January and 5th July in each year.

"The said new three and a half per cent. annuities shall be added to, and consolidated with, the existing new three and a half per cent. annuities, and shall not be liable to redemption until 5th January, 1840.

"The holders of four per cent. annuities, 1826, to receive the half-year's dividend which will be due thereon on the 10th October, 1834; and the first dividend — namely, one quarter of a year's dividend to be payable upon the said new three and a half per cent. annuities, on the 5th January, 1835.

"Books will be opened at the Bank of England on Thursday, 8th May, to Wednesday, 28th May, both days inclusive, for receiving notices, by themselves or their agents, of those persons who may be desirous of dissenting.

"Persons who shall be out of the United Kingdom during the whole of such period shall in such case be permitted to express their dissent at any time before 6th July, 1834; and any person who may be in any other part of the world except Europe, to be permitted to express such dissent at any time before the 1st March, 1835.

"Persons not signifying their dissent within the periods before mentioned will be deemed to have assented. Persons signifying their dissent within these periods will be paid off in such order, at such time, and in such manner, as Parliament may direct.

"Treasury Chambers, May 7. 1834."

On the same day, May 7., a bill authorising the London and Westminster bank to sue and be sued in the name of their public officer was read a second time in the House of Commons by a majority of 148 to 35. The Bank of England petitioned to be heard by counsel against the bill in committee: this was granted, but the committee decided in favour of the bill, and on May 26. it was read a third time in the House of Commons by a majority of 137 to 76. After being read a first time in the House of Lords, the Bank of England were heard by counsel against the bill at the bar of that House.

July 31. A special general court of the proprietors of bank stock was held to agree to the terms proposed

by the government for paying off one fourth of the bank capital, as required by the Bank-charter Act. Upon the recommendation of the directors, the following resolutions were unanimously passed:

1. "That a proposal from the chancellor of the exchequer to transfer to the bank the sum of 4,080,000*l.* per cent. reduced annuities, in liquidation of a fourth part of the permanent debt to the bank, which will become due on the first of August next, be recommended to the court of proprietors for adoption; provided the transfer be made so soon as the Act of Parliament shall have passed authorizing the same, and the interest on the returned capital be paid up to day of the said transfer.

"That the court also concur in opinion with the court of directors, that it will be of advantage to the future management of the affairs of the bank to retain the proportion of debt when repaid by the government; this court do, therefore, in pursuance of the authority for that purpose, contained in the Act of 3d and 4th of William IV. cap. 98. determine not to divide or appropriate the sum of 3,638,250*l.*, or any part thereof, amongst the several persons, bodies politic or corporate, who may be proprietors of the capital stock of the governor and company of the Bank of England, on the 5th day of October next."

Aug. 14. In pursuance of the above agreement between the government and the bank, an Act was passed (4th and 5th of William IV. c. 80.) entitled "An Act to provide for the repayment to the governor and company of the Bank of England one-fourth part of the debt due from the public to the said company in pursuance of an Act passed in the last session of parliament." It is enacted, that immediately after the passing of the Act, the sum of 4,080,000*l.* reduced three per cents. should be placed to the credit of the Bank of England, and should form part of the public debt of the United Kingdom. The bank was to receive interest upon the 3,671,700*l.* from the 1st of August, 1834, until the 4,080,000*l.* shall be written in their books, and to continue a corporation until the said sum be redeemed.

Sept. 18. At a meeting of bank proprietors the governor stated that the directors had invested 212,783*l.* in the purchase of annuities for twenty-six years. The

usual dividend of 4 per cent. was declared upon the half-year ending the 10th of October.

Oct. 4. The rate of interest upon the loans granted during the time the funds were closed was fixed at four per cent. according to the following notice : —

"The governor and company of the Bank of England do hereby give notice, that on and after the 4th instant, they will be ready to receive applications for loans, upon the deposit of bills of exchange, exchequer bills, East India bonds, or other approved securities ; such loans to be paid on or before the 15th of January next, with interest at the rate of 4*l.* per cent. per annum and to be for sums of not less than 2000*l.* each."

On the same day the following notice was issued :—

"The court of directors of the governor and company of the Bank of England give notice, that with a view to afford further accommodation to the public, it is determined that henceforward the undermentioned days only will be observed as holidays in the transfer offices, viz. Christmas, Good Friday, 1st May, 1st November."

Oct. 7. Richard Mee Raikes, Esq. the governor of the Bank of England was gazetted as a bankrupt. The circumstance of a bank director becoming a bankrupt, and during the year he was governor, was so remarkable an event that it caused a considerable sensation.

A Table of the Liabilities and Assets of the Bank of England during the year 1834 :—

Dates, being average return of three months, ending as follows :	Circulation.	Deposits.	Total Liabilities.	Securities.	Bullion.	Total Assets
1834.	£	£	£	£	£	£
Jan. 1.......	18,216,000	13,101,000	31,317,000	23,596,000	9,948,000	33,524,000
Feb. 4.......	18,377,000	14,086,000	32,463,000	24,762,000	9,954,000	34,716,000
March 4....	18,700,000	14,418,000	33,118,000	25,547,000	9,829,000	35,376,000
April 1......	19,097,000	14,011,000	33,108,000	25,370,000	9,431,000	35,401,000
May 6.......	18,978,000	14,081,000	33,059,000	26,691,000	8,884,000	35,575,000
June 3......	18,922,000	14,539,000	33,461,000	27,312,000	8,645,000	35,957,000
July 1.......	18,895,000	15,096,000	33,991,000	27,593,000	8,659,000	36,252,000
July 29......	19,110,000	15,675,000	34,785,000	28,502,000	8,598,000	37,100,000
Aug. 26.....	19,147,000	15,384,000	34,531,000	28,679,000	8,272,000	36,951,000
Sept. 23.....	19,126,000	14,754,000	33,880,000	28,691,000	7,695,000	36,386,000
Oct. 21......	18,914,000	13,514,000	32,428,000	27,840,000	7,123,000	34,963,000
Nov. 18.....	18,694,000	12,669,000	31,363,000	27,138,000	6,781,000	33,919,000
Dec. 16.....	18,304,000	12,256,000	30,560,000	26,362,000	6,720,000	33,082,000

1835. March 5. The bank issued the following notice:—

"The governor and company of the Bank of England do hereby give notice, that on and after the 5th instant, they will be ready to receive applications for loans upon the deposit of bills of exchange, exchequer bills, East India bonds, or other approved securities; such loans to be repaid on or before the 15th of April next, with interest at the rate of 4*l.* per cent. per annum, and to be in sums of not less than 2000*l.* each."

March 19. A meeting of the proprietors of bank stock. The governor stated, that to make up the dividend of four per cent. for the half year, it had been necessary to take 10,000*l.* from the rest.

May 29. The bank issued the following notice:—

"The governor and company of the Bank of England do hereby give notice, that on and after the 29th instant, they will be ready to receive applications for loans upon the deposit of bills of exchange, exchequer bills, East India Bonds, or other approved securities: such loans to be repaid on or before the 15th of July, with interest at the rate of 4*l.* per cent. per annum, and to be for sums of not less than 2000*l.* each."

August 3. The West India loan contracted. This was a loan to government of 15,000*l.* raised for the purpose of giving compensation to the owners of slaves in the West India colonies. The contractor was Mr. N. M. Rothschild. The terms were, for every 100*l.* in money the contractor to receive,

	£	*s.*	*d.*
In the three per cent. Consols -	75	0	0
In the three per cent. reduced -	25	0	0
In long annuity - -		13	7
	£100	13	7

This is at about the rate of 3*l.* 7*s.* 8*d.* per cent. The loan was payable by instalments, and interest at four per cent. allowed for prompt payment.

August 5. The bank issued the following notice:—

"The governor and company of the Bank of England do hereby give notice, that on and after the 5th instant, they will be ready to receive applications for loans upon the deposit of bills of exchange, exchequer bills, East India bonds, or other approved securities; such loans to be repaid on or before the 20th of October next, with interest at the rate of 3*l.* 10*s.* per cent. per annum, and to be for sums of not less than 2000*l.*"

These advances were continued by subsequent notices, to the 15th day of January, 1836.

It was considered remarkable that by the above notice, the bank lent money at 3½ per cent., while the government allowed a discount of four per cent. upon prompt payment on the West India Loan.

September 24. A meeting of the bank proprietors. The governor stated, that to make up the dividend of four per cent. for the half year, the sum of 19,000*l.* had been taken from the rest; and on the 31st of August, the rest amounted to 2,740,000*l.*

In the latter end of this year, the directors adopted the resolution to refuse to discount all bills drawn or indorsed by joint stock banks of issue.

A Table of the Liabilities and Assets of the Bank of England during the year 1835:—

	LIABILITIES.			ASSETS.		
Dates being average returns of three months, ending	Circulation.	Deposits.	Total Liabilities	Securities.	Bullion.	Total Assets
1835.	£	£	£	£	£	£
Jan. 15......	18,012,000	12,585,000	30,597,000	26,390,000	6,741,000	33,131,000
Feb. 10......	18,099,000	12,535,000	30,634,000	26,482,000	6,693,000	33,175,000
March 10...	18,311,000	12,281,000	30,592,000	26,657,000	6,536,000	33,193,000
April 7......	18,591,000	11,289,000	29,880,000	26,228,000	6,329,000	32,557,000
May 5.......	18,542,000	10,726,000	29,268,000	25,764,000	6,197,000	31,961,000
June 2.......	18,460,000	10,568,000	29,028,000	25,562,000	6,150,000	31,712,000
June 30.....	18,315,000	10,954,000	29,269,000	25,678,000	6,219,000	31,897,000
July 28......	18,322,000	11,561,000	29,883,000	26,244,000	6,283,000	32,527,000
Aug. 25.....	18,340,000	12,308,000	30,648,000	26,964,000	6,326,000	33,290,000
Sept. 22.....	18,240,000	13,230,000	31,470,000	27,888,000	6,261,000	34,149,000
Oct. 20......	17,930,000	14,227,000	32,157,000	28,661,000	6,186,000	34,847,000
Nov. 17.....	17,549,000	16,180,000	33,729,000	30,069,000	6,305,000	36,374,000
Dec. 15......	17,821,000	17,729,000	35,050,000	31,048,000	6,626,000	37,674,000

1836. March. A general meeting of proprietors. The following summary of the proceedings is taken from the Times:—

"The meeting of bank proprietors, held this morning, passed over much more harmoniously than many former occasions of the same kind. The blunder of Mr. Spring Rice in allowing 4*l.* per cent. discount on the anticipated payments on the late loan, at the time when the bank were lending money on the same security, at 3½*l.* per cent. has worked admirably well for the proprietors, as every one foresaw who had paid the least attention to the subject must necessarily be the case. The profits of the establishment have been so considerable, that, in instead of the 'rest' of the bank being disturbed, as was done at the last dividend, to make up the 4*l.* per cent. shared among the proprietors; there has occurred in the interval an addition to it of 25,000*l.*, after providing for the present dividend, and carrying to account another sum of 15,000*l.*, as the final loss sustained by the bank through the forgeries of Fauntleroy. The only facts elicited by the discussion of any interest out of the circle of bank proprietors, related to a recent transfer of a certain portion of the public business to the London and Westminster Bank. An impression prevailed, it seems, among the proprietors, that this business, which arose under the management of the excise, out of the hop duties in Surrey and Kent, had previously been managed by the Bank of England, and that the change had led to a diminution of the balances there. It appeared, however, that the business was wholly under private control, and had been conducted by Mr. Ward, lately a member of the court, but who did not keep any account at the bank. The directors were desirous, as the governor admitted, on the change that took place, to appropriate this business to themselves, and addressed a letter to the chancellor of the exchequer on the subject, pointing out, as an inducement, the large saving that might thereby be effected; but they were informed that this was a matter over which the government had no control, and that it rested solely with the board of excise."

June 2. The bank issued the following notice:—

"The governor and company of the Bank of England do hereby give notice, that on and after the 2nd instant, they will be ready to receive applications for loans upon the deposit of bills of exchange, exchequer bills, East India bonds, or other approved securities; such loans to be repaid on or before the 15th of July next, with interest at the rate of 4*l.* per cent, per annum, and to be for sums of not less than 2000*l.* each."

July 21. The rate of interest raised to four and a half per cent. by the following resolution: —

At a court of directors at the bank, on Thursday, the 21st of July:

Resolved, — that the interest on bills of exchange and notes discounted by the bank be advanced to 4½*l.* per cent. per annum.

Aug. 10. The House of Commons voted the sum of 38,289*l.* to the Bank of England, to defray the loss sustained by the bank in 1831 by melting into bullion a large amount of silver coin, upon which the public had received the seignorage.

Sept. 1. The rate of interest raised to five per cent. by the following resolution: —

At a court of directors at the bank, on Thursday, the 1st of September, 1836:

Resolved, — That the interest on bills of exchange and notes discounted by the bank be advanced to 5*l.* per cent. per annum.

On the same day the bank issued the following notice: —

"The governor and company of the Bank of England do hereby give notice, that on and after the 1st instant, they will be ready to receive applications for loans upon the deposit of bills of exchange, exchequer bills, East India bonds, or other approved securities; such loans to be repaid on or before the 20th of October next, with interest at the rate of 5*l.* per cent. per annum, and to be for sums of not less than 2000*l.* each."

There was a great pressure on the money market, and great distress among the commercial classes * during the remainder of the year.

Sept. 15. The bank gave notice that they would advance money upon the certificates of exchequer bills.

"The governor and company of the Bank of England do hereby give notice, that they will make advances on the security of the certificates given by the paymasters of exchequer bills, now adver-

* See an inquiry into the causes of the recent pressure on the money market in my History of Banking in America.

tised, as have been delivered into the exchequer bill office for the purpose of being exchanged for new bills; such advances to be repaid on or before the 20th of October next, together with interest at the rate of *5l.* per cent. per annum."

Sept. 29. The government raised the rate of interest upon exchequer bills issued on or after this date from $1\frac{1}{2}d.$ to $2d.$ per day.

Nov. 19th. The rate of interest upon all exchequer bills raised to $2\frac{1}{4}d.$ per diem, according to the following communication:—

"*Treasury Chambers, November* 19*th*, 1836.

"Gentlemen,

"The lords commissioners of His Majesty's Treasury have determined that all exchequer bills, outstanding, shall on and after Monday next, the 21st instant, bear an interest of $2\frac{1}{4}d.$ per *100l.* per day; I am commanded by their lordships to request that you will make this determination known at the Stock Exchange, and my lords will forthwith take the necessary steps for carrying it into effect.

"I am, Gentlemen,
"Your obedient servant,
"A. Spearman."

"The governor and deputy-governor of the Bank of England."

This advance in the interest of exchequer bills was made at the suggestion of the bank directors, in order that the bank might be able to sell their exchequer bills without loss, and thus, by contracting the circulation, to render the foreign exchanges favourable.

The following is a table of the different rates of interest paid on exchequer bills since the year 1824:—

Rate of interest paid on exchequer bills:

Dated 14th of June, 1824,	....	$1\frac{1}{2}d.$ per diem.
From 19th of Dec. 1825,	....	$2d.$ ditto.
Dated 30th of Sep. 1829,	....	$1\frac{3}{4}d.$ ditto.
—— 18th of Dec. 1829,	....	$1\frac{1}{2}d.$ ditto.
—— 29th of Sep. 1836,	....	$2d.$ ditto., from day of date; but this alteration did not apply to bills dated of a previous date.
—— 21st of Nov. 1836,	....	$2\frac{1}{4}d.$ on all bills.

On the same day (Nov. 19th) the East India Company raised the interest on their bonds to four per cent.

Nov. 19. The bank issued the following notice: —

" The governor and company of the Bank of England do hereby give notice, that on and after the 21st instant, they will be ready to receive applications for loans upon the deposit of bills of exchange, exchequer bills, East India bonds, or other approved securities; such loans to be repaid on or before the 16th of January next, with interest at the rate of 5*l.* per cent. per annum, and to be for sums of not less than 2000*l.* each."

December. In the beginning of this month, the bank afforded assistance to the Northern and Central Bank of England at Manchester, upon condition of their winding up thirty-nine out of their forty branches. And afterwards granted further assistance upon condition that the Northern Bank should discontinue business after February 1. 1837, until the bank should be repaid.

A Table of the Liabilities and Assets of the Bank of England during the year 1836: —

LIABILITIES.				ASSETS.		
Dates being average returns of three months, ending	Circulation.	Deposits.	Total Liabilities.	Securities.	Bullion.	Total Assets.
6.	£	£	£	£	£	£
Jan. 12......	17,262,000	19,169,000	36,431,000	31,954,000	7,076,000	39,030,000
Feb. 9.......	17,427,000	18,366,000	35,793,000	31,022,000	7,471,000	38,493,000
March 8.....	17,739,000	16,966,000	33,705,000	29,806,000	7,701,000	37,507,000
April 5......	18,063,000	14,751,000	32,814,000	27,927,000	7,801,000	35,728,000
May 3.......	18,154,000	13,747,000	31,901,000	27,042,000	7,782,000	34,824,000
May 31......	18,051,000	13,273,000	31,324,000	26,534,000	7,663,000	34,197,000
July 1.......	17,899,000	13,810,000	31,709,000	27,153,000	7,362,000	34,515,000
July 28......	17,940,000	14,495,000	32,435,000	28,315,000	6,926,000	35,241,000
Aug. 25.....	18,061,000	14,796,000	32,857,000	29,345,000	6,325,000	35,670,000
Sept. 22.....	18,147,000	14,118,000	32,265,000	29,406,000	5,719,000	35,125,000
Oct. 21......	17,936,000	13,324,000	31,260,000	28,845,000	5,257,000	34,102,000
Nov. 17.....	17,543,000	12,682,000	30,025,000	28,134,000	4,933,000	33,067,000
Dec. 15.....	17,361,000	13,330,000	30,691,000	28,971,000	4,545,000	33,516,000
1837.						
Jan. 14......	17,422,000	14,354,000	31,776,000	30,565,000	4,287,000	34,652,000
Feb. 12.....	17,868,000	14,230,000	32,098,000	31,085,000	4,032,000	35,117,000
March 7.....	18,178,000	13,260,000	31,438,000	30,579,000	4,048,000	34,627,000
April 6......	18,432,000	11,192,000	29,624,000	28,813,000	4,071,000	32,884,000
May 4......	18,480,000	10,472,000	28,952,000	28,017,000	4,190,000	32,207,000

1837. January 15. The London banking-house of Messrs. Esdaile and Co. received assistance from the Bank of England upon condition of winding up their business.

March 2. The bank issued the following notice: —

"The governor and company of the Bank of England do hereby give notice, that on and after the 2nd instant, they will be ready to receive applications for loans upon the deposit of approved bills of exchange, not having more than ninety-five days to run; such loans to be repaid on or before the 15th of April next, with interest at the rate of 5*l.* per cent. per annum, and to be for sums of not less than 2000*l.* each."

It may be observed, that in this instance the advances are made only on approved bills of exchange, and not as on former occasions, "on bills of exchange, exchequer bills, East India bonds, or other approved securities."

March 16. A general meeting of proprietors. The governor stated, that after paying a dividend of four per cent. for the half year, the rest would be 2,878,316*l.*

The following are the names of the directors of the Bank of England for the present year: —

Timothy Abraham Curtis, Esq. *Governor.*
Sir John Rae Reid, Bart. *Deputy-Governor.*

DIRECTORS.

Robert Barclay, Esq.
John Bowden, Esq.
William Cotton, Esq.
Bouamy Dobree, Esq.
Char. Pascoe Grenfell, Esq.
Abel Lewes Gower, Esq.
John Oliver Hanson, Esq.
John Benjamin Heath, Esq.
James Malcolinson, Esq.
William Mellish, Esq.
Humphrey St. John Mildmay, Esq.
Rowland Mitchell, Esq.
James Morris, Esq.
Sheffield Neave, Esq.
John Horsley Palmer, Esq.
James Pattison, Esq.
Christopher Pearse, Esq.
John Henry Pelly, Esq.
Henry James Prescott, Esq.
Charles Pole, Esq.
Henry Porcher, Esq.
William R. Robinson, Esq.
William Thompson, Esq. Alderman.
Thomas Warre, Esq.

The government of the bank rests entirely with the court of directors, who may, if they please, change the whole system of management. The only check upon their proceedings consists in the publicity of their measures, the half-yearly meetings of their proprietors, and the communications between the court and the government. The directors are elected by the proprietors of bank stock, at a general meeting. Eight directors go out and eight come in every year. The eight that come in are commended by the whole court, that is, a "house list" is sanctioned by the court; and though the proprietors are not required to vote for the names included in the list, yet these persons have always been elected. The qualification for governor is 4000*l.* bank-stock, deputy-governor 3000*l.*, director 2000*l.* The directors are not usually large holders of bank-stock: none of them hold more than the qualification. The governor and deputy-governor are appointed by the directors, and usually continue in office for a year. The senior directors of the bank, who have passed the chair, form a select committee: to these are added, the director immediately succeeding by rotation to the deputy chair. The governor and the select committee have the management of the bank in the intervals between the sittings of the court, but nothing of consequence is done without the knowledge and concurrence of the court of directors.

At the weekly meeting of the court of directors there is a statement read of the actual position of the bank in every department, of its securities, of its bullion, and of its liabilities. There is a committee of treasury, who may suggest any measure they think fit for the consideration of the court. The daily transactions of the bank are conducted by a committee of three, assisted by the governor or deputy-governor: no responsible action is taken by the committee without reference to the governor. All

bills presented for discount are presented before that daily committee, and they determine upon the bills to be discounted. There is also a Wednesday's committee for London notes, which consists of nine or ten directors: all London notes pass before that committee on Wednesday. The bullion is purchased by the governor, who considers that he has no power to refuse the issue of notes for gold bullion brought to him at the bank. The purchasing price of gold has been fixed, for several years, at *3l.* *17s.* *9d.* per ounce. The price of silver is regulated by the course of the foreign exchanges.

SECTION IV.

THE LONDON BANKERS.

After the establishment of the Bank of England, the goldsmiths or "new-fashioned bankers" continued their business in the same manner as before. In the year 1705 they obtained greater facilities, from an alteration in the laws respecting promissory notes. It had been held that promissory notes, whether issued by bankers or others, could not be legally transferred to a third party, and that no action at law could be sustained against the issuer, unless brought by the person to whom the note was originally granted. But by 3 and 4 Ann. ch. 9, all doubts were removed; and it was enacted, that after the 1st of May, 1705, all notes in writing made and signed by any person or persons, bodies politic or corporate, or by the servant or agent of any corporation, banker, goldsmith, merchant, or trader, who is usually entrusted to sign such promissory notes, shall be assignable or endorsable over, in the same manner as inland bills of exchange.

In the year 1714, the legal interest of money was reduced from six to five per cent. The reduction of the rate of interest was probably the effect of the abundance of money produced by the issue of Bank of England notes, and the increase of deposits with the private bankers. The various small sums of money which had remained idle in the hands of individuals were collected into large deposits in the hands of the bankers. Hence the supply of capital was increased, and the rate of interest consequently fell.

About the year 1775, the London bankers who lived in the city, established what is called "the clearing-house," for the purpose of facilitating their exchanges with each other. By this means each banker is enabled to pay the cheques drawn upon himself by the cheques he holds upon other bankers. And hence he is not under the necessity of keeping so large an amount of money unemployed in his till.*

The London banks have long ceased to be banks of circulation: they are now banks of deposit, banks of discount, and banks of agency to country bankers.

The oldest banking houses in London, are Messrs. Child & Co. of Temple Bar; Messrs. Hoares, of Fleet Street; and Messrs. Snow & Co. of the Strand; these were established previous to the Bank of England. The others are comparatively of recent date, and their number has been considerably diminished within the last twenty years. In the year 1810, the number of banking houses who settled their accounts with each other at the clearing-house was forty-six, the present number is only thirty.

* For a full account of the operation of *clearing*, and of the London bankers' system of book-keeping, see my "Practical Treatise on Banking."

The following is the list of London bankers inserted in the London Post-office Directory of 1837:—

Ashley and Son, 135, Regent-st.
Barclay and Co. 54, Lombard-st.
Barnard, Dimsdale and Co. 50, Cornhill.
Barnetts, Hoare & Co. 62, Lombard-street.
Bosanquet & Co. 73, Lombard-st.
Bouverie and Co. 11, Haymarket.
Brown, Janson and Co. 32, Abchurch-lane.
Call, Marten and Co. 25, Old Bond-street.
Child and Co. Temple Bar.
Cockburn and Co. 4, Whitehall.
Cocks & Biddulphs, 43, Charing Cross.
Coutts and Co. 59, Strand.
Cunliffes, Brooks and Co. 24, Bucklersbury.
Curries and Co. 29, Cornhill.
Denison & Co. 106, Fenchurch-street.
Dixon and Co. Chancery-lane.
Dorrien and Co. 22, Finch-lane.
Drewett and Fowler, 60, Old-Broad-street.
Drummond and Co. 49, Charing Cross.
Feltham and Co. 42, Lombard-street.
Fullers and Co. 84, Cornhill.
Glyn and Co. 67, Lombard-st.
Goslings & Sharpe, 19, Fleet-st.
Hammersleys and Co. 60, Pall Mall.
Hanburys & Co. 60, Lombard-st.
Hankeys & Co. 7, Fenchurch-st.
Herries & Co. 16, St. James's-st.
Hoares, 37, Fleet-street.
Hopkinson and Co. 3 Regent-st.
Johnston and Co. 15, Bush-lane.
Jones, Loyd & Co. 43, Lothbury.
Jones and Son, 41, West Smithfield.
Keil, I. 2, Biliter-square.
King, Charles & Co. 24, Bolton-street, Piccadilly.
Kinloch, G. F. and Sons, 1, New Broad-street.
Ladbrokes and Co. Bank Buildings, Cornhill.
Lees, Brassey and Co. 71, Lombard-street.
Lubbock and Co. 11, Mansion House-street.
Masterman & Co. Nicholas-lane.
Praeds and Co. 189, Fleet-street.
Prescott & Co. 62, Threadneedle-street.
Price and Co. 1, Mansion House-street.
Puget and Co. 12, St. Paul's Church Yard.
Ransom & Co. 1, Pall Mall East.
Robarts & Co. 15, Lombard-st.
Rogers and Co. 29, Clements-lane.
Scott & Co. 1, Cavendish-square.
Smith, Payne and Co. Threadneedle-street.
Snow and Co. Temple Bar Without.
Spooner & Co. 27, Gracechurch-street.
Stevenson & Salt, 20, Lombard-street.
Stone and Co. 68, Lombard-st.
Twinings, Devereux-crt. Strand.
Vere, Sapte & Co. 77, Lombard-street.
Weston & Young, 37, Borough.
Whitmore and Co. 24, Lombard-street.
Williams, Deacon and Co. 20, Birchin-lane.
Willis and Co. 76, Lombard-st.
Wright and Co. Henrietta-st. Covent Garden.

In the course of the last five-and-twenty years the following London banking houses have been discontinued:

Anderson, J. & J. 17, Philpot-lane.
Austen, Maude & Co. 10, Henrietta-street.
Birch, Chambers and Co. 160, New Bond-street.
Bolderos and Lushington, 30, Cornhill.
Bond, Sons, and Patesall, 2, 'Change Alley.
Brickwood and Co. Lombard-st.
Brown, Cobb and Co. 66, Lombard-street.
Brown, Langhorne & Co. Bucklersbury.
Bruce & Co. 2, Bartholomew-lane
Cox, Merle & Co. 2, Cox's-crt. Little Britain.
Duckett, Morland & Co. Pall Mall.
Esdaile and Co. 21, Lombard-st.
Everett and Co. 9, Mansion House-street.
Fry and Sons, Mildred's-court, Poultry.
Hodsoll & Stirling, 345, Strand.
Kensington and Co. 20, Lombard-street.
Lawson, Newham and Co. 17, Bucklersbury.
Lees & Co. 72, Lombard-street.
Mainwaring & Co. 80, Cornhill.
Marsh, Sibbald and Co. 6, Berner's-street, Oxford-street.
Sir John Perring and Co. 72, Cornhill.
Sir Peter Pole and Co. 1, Bartholomew-lane.
Ramsbottom and Co. 11, Lombard-street.
Remington and Co. 69, Lombard-street.
Sansom & Co. 65, Lombard-st.
Sikes, Sneath & Co. 5, Mansion House-street.
Whitehead and Co. Cateaton-st.

SECTION V.

COUNTRY BANKS.

We have no authentic details of the rise and progress of country banking. It is generally understood that very few country banks existed previous to the American war; that they rapidly increased after the termination of that war; that they received a severe check in the year 1793, when twenty-two became bankrupt; and that they increased with wonderful rapidity after the passing of the Bank Restriction Act.

Since the year 1808, every bank that issues notes has been compelled to take out an annual licence. But the number of licences does not correspond exactly with the number of country banks. In the first place, banks that do not issue notes do not take out a licence; and secondly, a bank that issues notes in several places, must take out a licence for each place; and instances are said to have occurred of persons taking out a licence to issue notes, and not carrying on any other branch of banking. Banks, too, that carry on business at more than four places are required to take out only four licences; all the places beyond four being included in the fourth licence.

TABLE I.

An account of the number of licences issued to country bankers, and the number of commissions of bankruptcy issued against country banks, in each of the following years:—

Years.	Licences.	Bankrupts.	Years	Licences.	Bankrupts.	Years.	Licences.	Bankrupts.
1809	702	4	1817	752	3	1825	797	37
1810	782	20	1818	765	3	1826	809	43
1811	789	4	1819	787	13	1827	668	8
1812	825	17	1820	769	4	1828	672	3
1813	922	8	1821	781	10	1829	677	3
1814	940	27	1822	776	9	1830	671	14
1815	916	25	1823	779	9	1831	641	—
1816	831	37	1824	788	10	1832	636	—

TABLE II. (*Opposite page.*)

An account of the number of country banks in England and Wales, for which licenses to issue promissory notes have been taken out in each year, from 1811 to 1818, distinguishing the number in each county, and the number of partners concerned in the banks of each county.

COUNTIES.	1811—12. No. of Banks.	1811—12. No. of Partners.	1812—13. No. of Banks.	1812—13. No. of Partners.	1813—14. No. of Banks.	1813—14. No. of Partners.	1814—15. No. of Banks.	1814—15. No. of Partners.	1815—16. No. of Banks.	1815—16. No. of Partners.	1816—17. No. of Banks.	1816—17. No. of Partners.	1817—18. No. of Banks.	1817—18. No. of Partners.	1818—19. No. of Banks.	1818—19. No. of Partners.
Bedfordshire.....	7	16	7	19	7	19	7	17	6	16	6	17	6	17	6	17
Berkshire.........	15	54	19	69	19	64	18	59	17	54	10	31	20	29	9	27
Brecknockshire..	3	9	2	6	4	10	3	7	3	7	2	6	2	5	2	5
Buckinghamsh..	10	22	8	18	6	13	7	16	3	9	4	9	4	9	4	9
Cambridgeshire .	6	18	8	27	8	25	7	22	6	21	7	23	7	23	7	24
Cardiganshire ...	2	6	2	6	2	6	2	6	—	—	1	3	2	5	2	5
Carmarthenshire	6	15	6	14	8	19	4	10	4	10	4	9	3	7	3	8
Carnarvonshire..	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cheshire..........	5	12	7	17	7	17	7	16	8	20	6	18	4	12	4	12
Cornwall	24	68	23	65	22	60	21	58	21	54	19	52	20	54	22	58
Cumberland	9	32	8	28	7	25	6	22	5	17	5	19	5	19	5	19
Denbighshire	3	11	4	7	4	9	4	8	5	10	4	7	5	13	4	9
Derbyshire.	7	22	9	34	9	34	7	28	8	28	8	28	7	26	7	26
Devonshire.......	48	148	46	140	44	129	44	130	40	119	36	108	37	108	38	105
Dorsetshire	12	33	15	40	14	39	14	36	11	26	11	25	12	28	10	25
Durham..........	9	41	11	59	11	48	11	51	10	40	6	26	8	32	7	29
Essex	16	50	15	48	16	49	15	49	13	41	9	23	10	33	10	32
Flintshire.........	2	10	3	10	2	9	2	8	2	8	2	8	2	8	2	8
Glamorganshire.	9	30	10	28	11	33	12	37	7	22	7	21	9	27	9	25
Gloucestershire..	39	131	39	130	40	132	39	126	38	127	38	127	31	98	33	108
Hampshire.......	30	85	34	94	31	85	28	80	30	83	28	76	25	67	26	67
Herefordshire ...	8	24	7	21	9	28	7	22	7	23	6	17	6	17	7	21
Hertfordshire....	11	25	13	27	11	23	12	30	12	30	12	28	11	27	12	27
Huntingdonsh...	6	19	5	16	6	20	5	16	6	16	6	20	5	17	5	17
Isle of Anglesey	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kent..............	31	93	39	120	38	111	34	95	31	87	28	75	28	71	30	75
Lancashire	5	18	5	18	4	13	6	24	6	23	5	18	4	15	5	19
Leicestershire....	9	27	10	29	10	29	13	41	8	24	8	24	8	24	9	26
Lincolnshire	22	60	22	64	23	65	14	39	12	37	9	30	9	30	12	39
Merionethshire...	1	2	1	2	1	2	2	4	1	2	2	4	2	4	3	7
Middlesex..	6	17	3	9	2	6	2	5	2	6	2	5	2	6	2	6
Monmouthshire.	10	42	7	26	6	18	5	15	5	15	5	14	4	11	6	16
Montgomerysh. .	4	9	6	12	4	11	3	7	2	5	2	7	2	7	2	7
Norfolk...........	19	67	18	65	18	60	17	55	17	54	17	56	17	58	16	56
Northamptonsh..	13	34	14	36	12	33	13	33	12	33	10	28	9	26	12	32
Northumberland	4	17	5	26	4	20	7	30	5	20	4	16	8	30	6	27
Nottinghamshire	13	45	14	46	13	40	13	44	13	40	11	33	9	30	9	29
Oxfordshire......	17	56	17	54	15	43	16	50	12	35	10	26	12	32	13	32
Pembrokeshire ..	6	16	5	14	5	12	5	13	3	7	3	7	3	7	2	5
Radnorshire......	1	2	—	—	—	—	—	—	—	—	1	4	—	—	—	—
Rutlandshire.....	4	8	3	7	4	10	3	8	2	5	1	2	1	2	2	4
Shropshire........	18	58	22	63	22	62	22	64	21	63	15	51	15	49	15	47
Somersetshire....	47	126	47	129	43	127	41	124	31	89	30	89	31	93	30	95
Staffordshire	23	52	27	65	22	55	24	60	22	54	18	43	20	46	17	39
Suffolk...........	20	66	17	59	18	61	19	59	19	62	20	66	18	61	19	67
Surrey	12	37	12	37	13	37	13	39	14	35	11	26	8	18	10	23
Sussex	22	73	24	80	22	76	18	64	20	72	16	56	19	65	18	61
Warwickshire ...	24	65	26	74	24	73	24	79	23	79	23	79	23	78	23	78
Westmorland....	5	19	3	11	3	11	3	11	3	11	4	15	3	9	3	10
Wiltshire.........	24	79	22	74	22	71	19	60	17	56	17	55	16	52	16	53
Worcestershire...	17	51	18	52	16	52	14	45	13	41	14	44	15	47	14	41
Yorkshire..	75	257	73	255	71	240	67	223	68	220	62	212	59	199	59	199
Total	739	2277	761	2350	733	2234	699	2145	643	1956	585	1791	576	1751	587	1776

Stamp Office, Somerset Place, May 1, 1819. TEESDALE COCKELL, Assistant Distributor.

According to the Post-office Directory for 1834, the number of private country banks, and branches of private banks in England and Wales is 638; and the number of joint-stock banks and their branches is 106.

The country banks are banks of deposits, banks of discount, and banks of remittance; most of them are also banks of circulation.

As banks of deposit, they allow interest upon deposits; as banks of discount, they discount for parties who do not keep with them a current account; as banks of remittance, they conduct their business through the agency of the London bankers; they also receive through the London agents the dividends on the public funds, on account of parties in their neighbourhood. The holders of stock grant in the first instance to the London banker a power of attorney to receive the dividends, which, when received, are placed to the credit of the country banker, by whom they are paid to the proprietors. This facility of receiving dividends in all parts of the country, has, no doubt, induced many persons to become holders of government securities, and thus the country banks have assisted in supporting public credit.

The country banker pays his London agent either by a *balance*, by a *commission*, or by an *annual fixed amount*. In the case of a balance, the country banker agrees to keep in the hands of a London banker a certain sum, for which he is to receive no interest. The amount of this deposit varies, according to the extent of the business. If the country banker keeps less than the stipulated amount, he is charged interest for the deficiency, as upon an overdrawn account. If he keeps more than this amount, he is usually allowed interest at a rate per cent. which is agreed upon by the parties. In the case of a commission, the country banker pays at the end of each

year a certain rate of commission on the transactions of the year; the charge is made upon the amount of the debit side of his account. Some country bankers, instead of a commission, prefer paying a fixed sum per annum. In this case the charge does not vary with the amount of transactions as in the case of commission, but whether the transactions be great or small the payment remains the same.

TABLE III.

An account of the number of country bank notes, of all denominations, stamped in each year, from 1820 to 1831, both inclusive:

Years.	Not exceeding 1*l*. 1*s*. 5*d*.	Not exceeding 2*l*. 2*s*. 10*d*.	Not exceeding 5*l*. 5*s*. 1*s*. 3*d*.	Not exceeding 10*l*. 1*s*. 9*d*.	Not exceeding 20*l*. 2*s*.	Not exceeding 30*l*. 3*s*.	Not exceeding 50*l*. 5*s*.	Not exceeding 100*l*. 8*s*. 6*d*.
1820	1,683,824	22,181	203,673	49,280	7,250	—	71	1060
1821	2,214,623	20,180	254,839	51,226	10,738	50	417	1600
1822	1,888,959	11,700	267,213	65,032	13,756	100	206	1060
1823	1,969,758	25,110	273,184	74,232	9,573	199	292	1392
1824	2,501,849	21,500	442,112	131,196	22,189	14	528	1861
1825	3,172,477	39,511	557,946	158,233	46,392	12	381	1845
1826	248,117	—	141,603	45,399	1,971	341	12	375
1827	291,377	—	245,911	57,683	6,933	—	95	208
1828	155,199	—	382,311	58,356	12,697	—	560	1100
1829	257,271	—	352,969	57,758	5,339	215	861	400
1830	532,431	4,500	282,107	50,975	11,192	215	615	40
1831	499,691	—	295,086	47,156	8,499	—	300	1800

The notes of a less value than 5*l*. stamped in Great Britain since the 3d of February 1826, are applicable to Scotland only. The above account does not include the notes stamped in Ireland.

TABLE IV.

An account of the sums received for stamp duties, and as a composition of the duty upon country bank notes, in the years 1816 to 1832.

Years.	Stamp Duties.	Composition.	Years.	Stamp Duties.	Composition.
1816	83,213 0 11	—	1824	93,277 1 11	—
1817	139,632 2 9	—	1825	114,916 1 6	—
1818	148,314 2 2	—	1826	13,108 4 6	—
1819	62,329 8 7	—	1827	21,222 3 0	—
1820	53,656 15 5	—	1828	30,443 8 6	297 3 0
1821	66,961 3 7	—	1829	26,602 12 6	1966 6 11
1822	62,182 0 6	—	1830	21,740 11 3	3328 3 5
1823	65,054 15 1	—	1831	23,600 11 9	2414 14 4

Henry Burgess, Esq., the secretary of the country bankers' committee, delivered to the parliamentary committee of 1832, returns of the issues of 122 country bankers in England and Wales from the year 1818 to the year 1825, taken in the month of July in each year. The amount of issue in 1818 was represented by the number 100, and proportionate numbers were employed to represent the issues of the subsequent years. The following is the result of the whole : —

TABLE V.

	Numbers representing proportionate issue.	difference.						
1818	12,200	—						
1819	11,991	209	being £	1	15	0	per ct. decrease from 1818.	
1820	11,487	709	...	5	16	10½	do.	do.
1821	11,352	848	...	6	19	0	do.	do.
1822	10,778	1422	...	11	13	1¼	do.	do.
1823	10,748	1452	...	11	18	0¼	do.	do.
1824	11,640	560	...	4	11	9	do.	do.
1825	12,478	278	...	2	5	6¾	per ct. increase over 1818.	

The circulation of country bank notes appears to have been the lowest in the year 1823, and the highest in the year 1825, the increase from the lowest to the highest is 16*l.* 1*s.* 1¾*d.* per cent.

By 3 and 4 William IV. c. 83., passed in 1833, banks issuing promissory notes are required to make returns to the Stamp-office of the average amount of notes in circulation in the quarters ending the first day of January, April, July, and October in each year. The quarterly average is to be formed from the amount in circulation at the end of each week.

In the memorial presented by the committee of country bankers to Earl Grey and Lord Althorp, June 12. 1833, they made the following observations upon the circulation of the country banks:—

"Your memorialists are prepared to prove that the issues of country bankers have less tendency to promote fluctuations in the country than those of the Bank of England; and that their effect in throwing the exchanges against the country is comparatively insignificant. The slightest attention to facts would indicate the truth of these positions. It has been established by parliamentary evidence that the issues of country bankers fluctuated much less between the years 1817 and 1826 than those of the Bank of England; and it is indisputable that adverse exchanges, which endanger the bank, always succeed great importations of foreign produce, and that they never can be occasioned by large exportations of domestic productions. Now it is notorious that the circulation of country bankers acts almost exclusively in promoting these productions: and that, when it is in an extended state, the direct and proper influence even of an alleged excess of that circulation, would be to provide the means of paying for the importations of foreign produce without causing so great an export of gold as to derange and endanger the monetary system of the country. This is looking at the separate and distinctive character of the issues of country bankers; if regarded as a part of a whole, any excess in which must bear its relative proportion of effect in producing derangement, that proportion can never exceed one-tenth; because, assuming that all paper currency has an equal bearing upon depreciation and appreciation, the issues of country bankers never amounted to one-tenth part of that which is used for effecting the interchanges of commodities and property in the country. All experience shows that great fluctuations have originated in the speculations of influential merchants, and never

originated in the channels to which the issues of country bankers are confined; their source is in great mercantile cities, and they are promoted by the issues of the Bank of England. That this is the invariable course which fluctuations resulting in excess and derangement take, is proved by the evidence of Mr. Ward and others, before the bank charter committee, and is fully explained by the speeches of the King's Ministers in the year 1826. The debts of a few speculative merchants who failed in a single year in the town of Liverpool, where country bankers' notes never circulated, amounted to between seven and eight millions sterling, and their bills were either lodged in the Bank of England for loans, or were current in all parts of the country, stimulating circulation and promoting excess.

"Then, with regard to the alleged tendency of many sources of issue to promote fluctuation — the rivalry of numerous banks of issue was set up by the government of 1826 as a principle which ensures solidity and equability to the circulation, 'from the constant exchange of notes between the different banks, by which they become checks upon each other, and by which any over-issue is subject to immediate observation and detection.' That was the report of the lords' committee, after full and complete investigation. The government of 1833 is proceeded with a measure founded on the principle that rival banks of issue promote fluctuation; this, however, is before investigation. Deposits and cash credits were declared by the witnesses from Scotland to be absolutely dependent on local bank issues, and the government of 1826 admitted the validity of the plea; the government of 1833 concludes that the system of deposits and cash credits may be maintained in England without local issues, but this conclusion is adopted without any inquiry into the case. It would be fruitless to dwell on this contradictory conduct in two administrations professing to be guided, in dealing with the currency, by the same policy. Admitting, that by one source of issue, the actual amount of notes payable on demand might be kept more equal than by many, it does not follow that their distribution would not be infinitely more unequal — every man possessed of practical information who understands the subject knows that by giving the exclusive circulation of notes to the Bank of England abundance will be created in the money market, and in the great commercial emporiums — raising the price of public securities, and stimulating the produce markets — while unexampled scarcity will be the consequence in the country, producing embarrassment and discontent among the cultivators of the soil of all who are dependent upon them. Therefore the real practical point to be determined concerning the tendency of different issues is, whether 2,000,000*l.*, or any given sum, laid out in purchasing French rentes in Paris, and indigo in Calcutta, or in replenishing with stock the exhausted corn and pasture fields of England, have the most effect in drawing

gold out of the country. It is hardly possible to imagine any measure of greater danger than the projected plan of government. The present bank directors may be men of unimpeachable integrity; but others less scrupulous may succeed them; and it is within the range of possibility for a man of influence who had obtained a seat at their board, to make a speculation by purchasing indigo in Calcutta, and then proceed to stimulate the market for that commodity in London, just before the sale at the East India house, by discounting the bills of favoured connections; then, at nearly the same period, he might cause instructions to be given to the manager of the branch bank in Manchester to contract the customary and stipulated discounts; which would have the effect of depressing the market for cotton twist and piece goods, which are the principal commodities transmitted to India in exchange for the produce of that country. By this double operation the produce of a director's capital employed in Hindostan might be temporarily raised in price in the London market, and the produce of English capital and labour sunk to favour the interests of one bank director or of several. The same result might be produced by the importer of Baltic produce: indeed, the importation of corn in 1831 probably created that state of things which suggested to the government the plan of suppressing all local issues as the remedy for an alleged evil in the country bank system. It is hardly necessary to disclaim all personal imputation in this illustration. The chancellor of the exchequer has taken the self-interest of country bankers to be an element of so much danger, from its tendency to induce them to extend their issues, as to adopt it as a principle in framing a legislative measure of the most hazardous character. Is the danger of the operation of the same principle to be disregarded when it might be exercised, not in a manner where it would be open to 'immediate operation and correction,' but in secret, where it could not be detected and challenged? The history of national banks proves that their funds may be applied by their directors to far more daring private speculations than is described by this supposititious case.

"If all bankers should be compelled to supply their customers with the notes of the Bank of England, a charge of 7 per cent. for the interest of loans to graziers, farmers, and dealers in agricultural produce, would not remunerate the country bankers so well as 4 or 5 per cent. does now upon the present system. The contemplated change in the usury laws, which if intended to afford to your memorialists some advantage for that which it is intended to deprive them, would give them some satisfactory compensation, because its tendency is to disorder or change that system upon which loans are made by country bankers with promptitude, facility, and comparative uniformity and cheapness; the distinctive characteristics of their business are regularity and the absence of extortionary charges.— In the event of the subver-

sion of that system it would be impossible for a great corporation, forming rules of conduct in London, and thence directing their application, to appoint agents competent to conduct the pecuniary affairs of the productive portion of the community. Those affairs, as far as banks are concerned with them, always demand peculiar local knowledge, and are in a great measure based on the confidential intercourse of fellowship and neighbourhood; they frequently require personal knowledge of the circumstances and character of individuals, and the closest sympathy with feelings arising from family difficulties, or family expectations and prospects. The governing principles, therefore, for conducting those important pecuniary affairs are totally incompatible with any that can govern the conduct of an hired agent in attempting to conduct the same. From these premises it results that the free application of labour to land would be prevented, the costs of cultivation enhanced, markets and the sale of produce impeded, and the pursuits of agriculture deeply injured.

"Then with respect to miners and manufacturers, any system which would bring them into immediate contact with the operation of the bank for regulating the foreign exchanges, without that protection and defence from those convulsive changes, which the local circulations afford, would be a system pregnant with indescribable hazard. Many of the bank directors are connected by friendship or commercial dealings with the great speculators in London and the populous towns, whose transactions mainly cause excess of circulation and an adverse state of the exchanges. In this class any contraction of the paper currency for the rectification of derangement, upon the present system, acts; but upon the projected plan, parliamentary evidence, as well as the nature of things, shows that the contracting force will be put into operation by the branch bank managers at a distance from London, and produce confusion in the affairs of mining and manufacturing industry, and discontent among a dense and excitable population. It may, under such a state of things, be rationally apprehended that occasions will arise when workmen will be suddenly dismissed for the want of the power to pay them their wages, shopkeepers deprived of their weekly receipts, and the regular custom at markets for the supply of agricultural produce, impaired."

In reply to the question, "What effect do you suppose that an increase or decrease of London bank notes has upon the issue of country bankers?" J. H. Palmer, Esq. replied: —

"A material increase of the bank in London tends, in the first instance, to reduce the value of money, and consequently the rate of interest, upon all negotiable securities. That abundance of money renders it difficult for the country bankers to find beneficial

investment for that part of the country money sent up to the capital for employment, consequently they are forced to resort to their immediate neighbourhoods for new channels for investing their surplus money; and which tends to create additional issues in the country at an early period after the London increase has taken place. But it does not follow that a diminution of issues has an equally rapid effect in reducing the issues of the interior."

SECTION VI.

JOINT-STOCK BANKS.

In the year 1708, a clause was inserted in the charter of the Bank of England, prohibiting the establishment of any other bank having more than six partners. This clause prevented the formation of any other joint-stock bank; and, as the increasing wealth and commerce of the nation occasioned a demand for banks of some sort, a great number of banks, each having no more than six partners, rose into existence, as they were successively required by the wants of the country. The charter of the Bank of England had no reference to Scotland, which at that period was a separate kingdom. Hence, with the increasing wealth of Scotland, joint-stock banking companies were formed; and at present they conduct nearly the whole of the banking business of that country. But, with every renewal of the charter of the Bank of England, this clause was retained, and hence has arisen the difference which subsists between the Scotch and the English systems of banking. In the year 1826, an act of parliament was passed to permit the formation of banks having more than six partners, at a greater distance than sixty-five miles from London; with a provision, however, that such banks should not make their notes payable in London, nor draw bills upon London for a less amount than

50*l*. By an act passed in 1833, these banks have the privilege of drawing bills on their London agents, either on demand or otherwise, and for a less sum than 50*l*.

The advocates of joint-stock banks allege that they possess the following advantages over private banks: —

1. Joint-stock banks possess greater security than private banks.

Security is of the first importance to a bank. One branch of the business to a banker is to take charge of money committed to his care. But who will entrust money to a banker who is not known to be, or, at least, supposed to be rich? And if a banker be rich, but afterwards, by mismanagement or misfortune, become poor, and fail, what dreadful misery is inflicted upon those who have money in his hands. How many respectable individuals may be suddenly bereft of their whole dependance. How many industrious tradesmen may become bankrupts. What distrust, what inconvenience, what interruption of business is occasioned, even to those who can bear the loss. But by a joint-stock bank all these evils are avoided. Another branch of the business of a bank is to remit money from one part of the country to another; but who will trust them with money to remit when they may fail before they have executed their trust? Banks, too, issue their own notes, and thus supply the circulating medium of the country. Here wealth and security are more necessary than ever. In the former cases, the creditors of the banker may have had some opportunity of judging of his safety, and would probably make previous inquiries upon the subject. But when the notes of a banker have become the circulating medium of a neighbourhood, they are readily taken without any inquiries about his solvency. And, indeed, in some cases, if the notes were suspected, they could not be refused. If a tradesman will not deliver goods to

his customers for such notes as they offer him, they will take the notes to some other tradesman. Men who receive wages must receive them in such notes as the master chooses to pay. Since, then, each banker supplies the circulating medium of a large district, and the notes are thus circulated among all classes, some of whom have not the option of refusing them, nor the ability to judge of their value, it is of the utmost importance that banks should be established on those principles which will prevent their failure.

That a bank having a great number of partners should be more secure than a bank consisting of only a few partners, seems a very obvious proposition; and it has received abundant confirmation from the numerous failures that have occurred among the bankers in England, and the few failures that have occurred in Scotland. This is a fact that demonstrates the superior security of joint-stock banks. If a bank of this kind has a charter, it must previously possess a large fund, which forms a guarantee for the punctual payment of its notes or deposits. If the bank have no charter, then every individual shareholder is answerable for all the debts of the bank to the whole extent of his property, as fully as though he had incurred those debts himself. In either case the security is greater than can be offered by any one individual, or by any four or five individuals, however respectable they may be.

2. A joint-stock bank is less liable to runs.

A run is a sudden and general demand for the payment of notes, or deposits. It is not sufficient that a banker be safe: it is also necessary that he should be believed to be safe. He derives the larger portion of his gains from the confidence which is placed in him by others. Confidence is money. However wealthy or respectable a banker may be, he may not always be believed to be so. The misfortunes of others may cause him to be suspected.

But no banker has always in his coffers all the sums necessary to pay all the claims that may be made upon him. If he were to do this, from what quarter would he obtain his profits? What, then, is he to do in case of a run? He must at all events obtain money to meet the demands made upon him; for if he once suspend his payments, all his credit is destroyed and his business is broken up. Hence he may be compelled to borrow money at a high rate of interest, or to sell stock or estates below their value, and to incur great expense, in order that the money may arrive in time to meet the demand. But the effects of a run are not confined to the banker himself. One run is over, but another may come. He will be anxious to be better provided next time. He will be more cautious. He will call in the money he has lent. He will lend no more. He will discount fewer bills. Those tradesmen and others who have been accustomed to obtain from the banker facilities for carrying on their business, can obtain them no longer. Some have depended on these facilities, and will now fail; others will circumscribe their business; labourers will be thrown out of work, and trade will be obstructed and depressed.

Such are the effects of a run when the banker is solvent, and the run is met with promptitude. But the banker may be good, and yet the run may cause him to stop payment. In this case, though the banker may ultimately pay the whole of his debts, yet this stoppage will produce for a while the same effects as though he were insolvent. But it is possible that he might have been solvent before the run, and have been rendered insolvent by the run. The sacrifices he may have been compelled to make for the purpose of raising the money in time to meet the demand, may have absorbed the whole of his property.

Now, what is it that causes a run? It is merely

an apprehension that the banker cannot discharge the whole of his obligations, and hence each creditor tries to be first, that he may secure the full amount of his own claim. But no apprehension of this kind can exist in reference to a joint-stock bank. Every body knows that all the partners are liable for the debts of the bank to the full extent of their property; and each creditor feeling assured that even should the bank fail, his property is secure, abstains from engaging in a run whereby he can gain no advantage.

3. Another advantage which joint-stock banks are alleged to possess, consists in the prudence of their management.

A joint-stock bank is managed by a board of directors, men of character and ability, who are chosen to fill the office from their superior knowledge of mercantile and banking business. The united knowledge and wisdom of a number of individuals must be greater than that of two or three individuals. They are not so liable to be imposed upon by false representations, to be deluded by false reasonings, or to be biassed by personal attachments. As among many persons there is sure to be a difference of opinion on almost every question brought before them, it is certain that no measure will be adopted without having first received a full discussion.

On the other hand, the management of a private bank is too frequently entrusted to one or two of the partners; men who cannot be expected to act with the caution and prudence of an elected body, answerable for their conduct to the great body of proprietors: men, too, who have their prejudices to indulge, their friends to please, and their partialities to gratify. Not so with the directors of a joint-stock bank, where the follies of an individual would be checked, and his deficiencies supplied by his colleagues. It often happens, too, that the partners of a private bank are engaged in some branch of manufactures or com-

merce; and in this case the bank will be made subordinate to the trading concern. The banking merchant or manufacturer will extend his business, or engage in speculation, under the consciousness of being able to make good his purchases. The trading concern will have an account at the bank, and will always be overdrawn. The money which ought to be employed by the bank in discounting bills for their customers, will be absorbed by the trade of the partners. If the trading concern fails, the bank too must fail: the one involves the ruin of the other. Perhaps, indeed, the bank, by supplying money in the first instance for the parties to speculate with, may have been the cause of the ruin. Even when the partners of a private bank are not themselves engaged in any other employment, the bank often becomes connected with some large manufacturing or commercial establishments. Such establishments are useful to the bank, by enabling them to circulate a considerable amount of their notes. Hence the bank is induced to make large advances to them. Afterwards a further advance is necessary. A run upon the bank compels them to call in the money they have advanced. The money cannot suddenly be replaced. Hence, all the parties become bankrupts. From all these evils joint-stock banks are alleged to be free.

As some persons abstain from becoming partners in joint-stock banks, from an apprehension of the danger which they incur in consequence of the whole of their property being answerable for the debts of the bank, I shall quote those sections of the Act which have a reference to this subject: —

"And be it further enacted, that all actions and suits, and also all petitions to found any commission of bankruptcy against any person or persons, who may be at any time indebted to any such copartnership carrying on business under the provisions of this Act, and all proceedings at law, or in equity, under any commission of bankruptcy, and all other proceedings at law, or in equity, to be

commenced or instituted for or on behalf of any such copartnership, against any person or persons, bodies politic or corporate, or others, whether members of such copartnership or otherwise, for recovering any debts, or enforcing any claims or demands due to such copartnership, or for any other matter relating to the concerns of such copartnership, shall and lawfully may, from and after the passing of this Act, be commenced or instituted and prosecuted in the name of any one of the public officers nominated as aforesaid for the time being of such copartnership, as the nominal plaintiff or petitioner for and on behalf of such copartnership; and that all actions or suits, and proceedings at law or in equity, to be commenced or instituted by any person or persons, bodies politic or corporate, or others, whether members of such copartnership or otherwise, against such copartnership, shall and lawfully may be commenced, instituted, and prosecuted against any one or more of the public officers nominated as aforesaid for the time being of such copartnership, as the nominal defendant for and on behalf of such copartnership.

"And be it further enacted, that no person or persons, or body or bodies politic or corporate, having or claiming to have any demand upon or against any such corporation or copartnership, shall bring more than one action or suit, in case the merits shall have been tried in such action or suit, in respect of such demand; and the proceedings in any action or suit, by or against any one of the public officers, nominated as aforesaid for the time being of any such copartnership, may be pleaded in bar of any other action or actions, suit or suits, for the same demand, by or against any other of the public officers of such copartnership.

"And be it further enacted, that all and every decree or decrees, order or orders, made or pronounced in any suit or proceeding in any court of equity against any public officer of any such copartnership carrying on business under the provisions of this Act, shall have the like effect and operation upon and against the property and funds of such copartnership, and upon and against the persons and property of every or any member or members thereof, as if every or any such members of such copartnership were parties members before the court to and in any such suit or proceeding; and that it shall and may be lawful for any court in which such order or decree shall have been made, to cause such order and decree to be enforced against every or any member of such copartnership, in like manner as if every member of such copartnership were parties before such court to and in such suit or proceeding, and although all such members are not before the court.

"And be it further enacted, that execution upon any judgment in any action obtained against any public officer for the time being of any such corporation or copartnership carrying on the business of banking under the provisions of this Act, whether as plaintiff or defendant, may be issued against any member or members for the

time being of such corporation or copartnership; and that in case any such execution against any member or members for the time being of any such corporation or copartnership, shall be ineffectual for obtaining payment and satisfaction of the amount of such judgment, it shall be lawful for the party or parties so having obtained judgment against such public officer for the time being, to issue execution against any person or persons who was or were a member or members of such corporation or copartnership at the time when the contract or contracts, or engagement or engagements in which such judgment may have been obtained was or were entered into, or became a member at any time before such contracts or engagements were executed, or was a member at the time of the judgment obtained; provided always, that no such execution as last-mentioned shall be issued without leave first granted, on motion in open court, by the court in which such judgment shall have been obtained; and when motion shall be made on notice to the person or persons sought to be charged, nor after the expiration of three years next after any such person or persons shall have ceased to be a member or members of such corporation or copartnership."

From the above extracts it appears that no legal proceedings can be taken in the first instance against an individual shareholder, but must be directed against the public officer, whose name is registered at the Stamp-office.—That not more than one action can be brought for one demand.—That after a shareholder has transferred his share, he is not liable for any debts which the bank may subsequently contract; nor for debts contracted at the time he made the transfer, unless the execution issued against the funds of the bank, and against the existing shareholders, should be "ineffectual for obtaining payment and satisfaction of the amount;" and in this case the proceeding must first be by motion in open court.—And that three years after the transfer, the party is released from all responsibility, though the funds of the bank should be annihilated, and every shareholder become bankrupt.

This responsibility, which even legally considered is very trifling, may be still farther limited by the deed of settlement. When a joint-stock bank is formed, a deed of partnership is prepared, and is

signed by every shareholder. This instrument is called a deed of settlement. The shareholders have no power to limit their responsibility in reference to their creditors, but they may do so in reference to each other; and may guarantee one another against any claims that may be advanced against any one of their number. This is actually done. The deed of settlement provides, that no shareholder shall be answerable for the debts of the bank to a greater extent than the proportionate amount of his share; and that the moment he has transferred his shares to another party, he is wholly free from any claims or responsibility whatever. The act of parliament says to every shareholder, "You are responsible to the whole extent of your property for all the debts of the bank." The deed of settlement says to him, "If any claims be made upon you, while a shareholder, by the creditors of the bank, we, the other shareholders, engage to pay our proportion of the debt; and if you have ceased to be a shareholder, we indemnify you against any claim whatever." It is obvious, then, that while the other shareholders continue in a state of solvency, no individual shareholder runs any risk. This may be illustrated by supposing an extreme case. I will suppose that I am the holder of five shares in a banking company, whose stock is divided into ten thousand shares; and that all the money paid up, whatever it may be, is lost, and the bank is 20,000*l.* in debt. The proportion of this debt which I ought to pay is 10*l.* The creditor sues the public officer of the bank, and obtains judgment against him; and considering me to be a rich man, he singles me out as the shareholder against whom he will first issue execution. The sheriff's officers seize my goods and chattels, or whatever property I have, to the extent of the 20,000*l.* This is law, and I have no redress. But in the deed of settlement it is covenanted and agreed that no

shareholder shall be answerable for the debts of the company, to a greater extent than the proportionate amount of his shares; and all the shareholders guarantee every one of their number against any claim beyond this proportion. Now then, though I have no redress against the creditor, I have a redress against the other shareholders, and I will sue them upon the deed of settlement. As soon as I have obtained judgment, I will issue execution against their property, until I have repaid myself the whole 20,000*l.*, excepting the 10*l.*, which is my proportion of the loss. I have here supposed the case to proceed to extremities; but it is highly improbable that the affairs of any bank would be allowed to proceed to this extremity. As soon as the state of its affairs were known, a meeting of the proprietors would take place; they would pay down the 2*l.* per share which they had lost; the deed of settlement would be put into the fire; and there would be an end of the company.

It appears then that the enactment which renders the whole of the property of every shareholder answerable for the debts of the bank, is very just and satisfactory. It is satisfactory to the public, inasmuch as it gives them the most ample guarantee for the payment of the debts of the bank, whether those debts arise from notes or deposits. It is satisfactory to the shareholders; for although each shareholder may consider the whole of his property liable for all claims upon the bank, yet he knows that by the deed of settlement the property of all the other shareholders is answerable to him for all claims, beyond the proportionate amount of his shares; and hence the guarantee to him is just as ample as the guarantee to the public.

So far from militating against the interest of the shareholders, this enactment has the effect of increasing their profits, inasmuch as it enables them

to carry on business with a less amount of capital, and hence to make a larger dividend. I will suppose that a banking company employs a capital of 200,000*l.*, upon which there is an annual profit of 16,000*l.*, or 8 per cent., and all the shareholders are responsible to the full extent of their property. Let a law be passed abolishing this responsibility. The public will now look with greater scrutiny into the affairs of the bank; they will calculate whether this capital be sufficient to sustain any heavy loss, and what risk they may run in receiving their notes or making deposits. To secure public confidence, the directors will find it necessary to make a further call upon the proprietors for 200,000*l.* But as this surplus capital cannot be employed in the business, it must be invested in government securities, which, at the utmost, will yield but 4 per cent. Now the shareholders, instead of having a profit of 16,000*l.* upon a capital of 200,000*l.*, will have a profit of 24,000*l.* upon a capital of 400,000*l.* Instead of receiving 8 per cent. on their capital, they will divide but 6 per cent. It is obviously not for the advantage of a bank to call up a larger portion of its capital than what is necessary for carrying on its operations. All the surplus capital must be employed in a manner less productive, and the average profit will be diminished. And, besides, when a bank has immense sums invested in the public securities, there is danger that the directors will attempt to make these sums more productive, by gambling in the funds; whereby the capital of the bank—the sole security to the public—may be placed in jeopardy.

The following is a list of the country joint-stock banks at present existing in England. They are arranged alphabetically, according to the places in which the head offices are established.

No.	Name.	Head Office.	When first established.	London Agents.
1	Ashton, Stalybridge, Hyde and Glossop Bank	Ashton	June 18. 1836	Glyn and Co.
2	Barnsley Banking Company..............................	Barnsley	Jan. 25. 1832	Barnett and Co.
3	Birmingham Banking Company	Birmingham	Sept. 30. 1829	Jones, Lloyd, and Co.
4	Bank of Birmingham..	Ditto	Aug. 2. 1832	Glyn and Co.
5	Birmingham Town and District Banking Company...	Ditto	July 4. 1836	Barclay and Co.
6	Birmingham Borough Bank................................	Ditto	1837	Prescott and Co.
7	Bolton Joint Stock Banking Company..................	Bolton	May 30. 1836	Barclay and Co.
8	Bradford Banking Company................................	Bradford	July 7. 1827	Jones, Lloyd, and Co.
9	Bradford Commercial Joint Stock Banking Company.	Bradford	Feb. 27. 1833	Glyn and Co.
10	Bristol Old Bank...	Bristol	June 16. 1826	Prescotts and Co.
11	Stuckey's Banking Company................................	Ditto	Oct. 9. 1826	Robarts and Co.
12	West of England and South Wales District Bank......	Ditto	Dec. 23. 1834	Glyn and Co.
13	Bury Banking Company	Bury	June 14. 1836	Glyn and Co.
14	Monmouthshire and Glamorganshire Banking Compy .	Cardiff	1836	Rogers and Co.
15	Leith Banking Company....................................	Carlisle	Nov. 23. 1827	Barnett and Co.
16	Carlisle Banking Company	Ditto	1836	Hankey and Co.
17	Bank of South Wales..	Carmarthen	Feb. 26. 1835	Barnett and Co.
18	Cheltenham and Gloucestershire Bank...................	Cheltenham	May 19. 1836	London and Westminster Bank.
19	County of Gloucester Banking Company................	Ditto	1836	Robarts and Co.
20	Chesterfield and North Derbyshire Banking Company	Chesterfield	Dec. 21. 1833	Smith, Payne, and Co.
21	Coventry and Warwickshire Banking Company.........	Coventry	Dec. 13. 1835	Jones, Lloyd, and Co.
22	Coventry Union Banking Company.......................	Ditto	May 12. 1836	Glyn and Co.
23	Darlington District Joint Stock Banking Company...	Darlington	Dec. 22. 1831	Barclay and Co.
24	Derby and Derbyshire Banking Company..............	Derby	Dec. 28. 1833	Williams and Co.
25	Western District Bank......................................	Devonport	1836	London and Westminster Bank.
26	Dudley and West Bromwich Banking Company........	Dudley	Dec. 30. 1833	Williams and Co.
27	Gloucestershire Banking Company........................	Gloucester	June 28. 1831	Jones, Lloyd, and Co.
28	Gloucester County and City Bank	Ditto	Dec. 31. 1834	Ladbrooke and Co.
29	Halifax Joint Stock Banking Company..................	Halifax	Nov. 11. 1829	Jones, Lloyd, and Co.
30	Halifax and Huddersfield Union Banking Company...	Ditto	June 29. 1836	Glyn and Co.
31	Herefordshire Banking Company..........................	Hereford	1836	London and Westminster Bank.
32	Holywell Bank, North Wales	Holywell	Nov. 11. 1834	Masterman and Co.
33	Huddersfield-Banking Company...........................	Huddersfield	June 7. 1827	Smith, Payne, and Co.
34	Mirfield and Huddersfield Banking Company..........	Ditto	Dec. 29. 1832	Masterman and Co.

No.	Name.	Head Office.	When first established.	London Agents.
35	Hull Banking Company	Hull	Nov. 30. 1833	Barclay and Co.
36	Bank of Westmorland	Kendal	June 8. 1833	Glyn and Co.
37	Knaresborough and Claro Banking Company	Knaresborough	Sept. 14. 1831	Barnett and Co.
38	Lancaster Banking Company	Lancaster	Oct. 9. 1826	Barclay and Co.
39	Leamington Bank	Leamington	May 12. 1835	London and Westminster Bank.
40	Leamington Priors & Warwickshire Banking Company	Leamington	Aug. 27. 1835	Williams and Co.
41	Leeds Banking Company	Leeds	Nov. 22. 1835	Smith, Payne, and Co.
42	Yorkshire District Bank	Ditto	July 30. 1834	Williams and Co.
43	Leeds and West Riding Banking Company	Ditto	Nov. 28. 1835	Williams and Co.
44	Leeds Commercial Banking Company	Ditto	June 21. 1836	Jones, Lloyd, and Co.
45	Leicestershire Banking Company	Leicester	Aug. 28. 1829	London and Westminster Bank.
46	Pares's Leicestershire Banking Company, or Leicestershire Union Baking Company	Leicester	Mar. 15. 1836	Smith, Payne, and Co.
47	Lincoln and Lindsey Banking Company	Lincoln	Aug. 10. 1833	Prescotts and Co.
48	Litchfield, Rugeley, and Tamworth Banking Company	Litchfield	Nov. 21. 1835	London and Westminster Bank.
49	Bank of Liverpool	Liverpool	April 23. 1831	Glyn and Co.
50	Liverpool Commercial Banking Company	Ditto	Dec. 29. 1832	Williams and Co.
51	Union Bank of Liverpool	Ditto	May 2. 1835	Cunliffes and Co.
52	Liverpool Tradesmen's Bank	Ditto	Mar. 22. 1836	Prescotts and Co.
53	North and South Wales Bank	Ditto	April 30. 1836	London and Westminster Bank.
54	Liverpool United Trades Bank	Ditto	May 12. 1836	Carries and Co.
55	Liverpool Borough Bank	Ditto	June 28. 1836	Glyn and Co.
56	Royal Bank of Liverpool	Ditto	April 30. 1836	Robarts and Co.
57	National Provincial Bank of England	London	Dec. 27. 1833	London and Westminster Bank.
58	Bank of Manchester	Manchester	Mar. 19. 1829	Denison and Co.
59	Manchester and Liverpool District Bank	Ditto	Nov. 26. 1829	Smith, Payne, and Co.
60	Northern and Central Bank of England	Ditto	Mar. 12. 1834	Prescotts and Co.
61	Commercial Bank of England	Ditto	July 1. 1834	Masterman and Co.
62	Union Bank of Manchester	Ditto	May 6. 1836	Glyn and Co.
63	South Lancashire Bank	Ditto	May 25. 1836	Barclay and Co.
64	Manchester and Salford Bank	Ditto	June 15. 1836	Williams and Co.
65	North Wilts Banking Company	Melksham	Nov. 6. 1835	Drewett and Co.
66	North of England Joint Stock Banking Company	Newcastle on T.	Nov. 28. 1832	Jones, Lloyd, and Co.
67	Northumberland and Durham District Banking Co.	Newcastle	May 23. 1836	Barclay and Co.

No.	Name.	Head Office.	When first established.	London Agents.
68	Newcastle-upon-Tyne Joint Stock Banking Company	Newcastle	June 27. 1836	London and Westminster Bank.
69	Newcastle, Shields, and Sunderland Joint Stock Banking Company	Ditto	July 11. 1836	Barnett and Co.
70	Newcastle Commercial Banking Company	Ditto	July 16. 1836	Williams and Co.
71	Northamptonshire Banking Company	Northampton	May 18. 1836	London and Westminster Bank.
72	Northamptonshire Union Bank	Ditto	May 23. 1836	Denison and Co.
73	East of England Bank	Ditto	Feb. 27. 1836	London and Westminster Bank.
74	Nottingham and Nottinghamshire Banking Company	Nottingham	April 12. 1834	Barclay and Co.
75	Moore and Robinson's Nottinghamshire Banking Co.	Ditto	July 12. 1836	Glyn and Co.
76	Oldham Banking Company	Oldham	1836	London and Westminster Bank.
77	Devon and Cornwall Banking Company	Plymouth	Dec. 31. 1831	Barclay and Co.
78	Swaledale and Wansleydale Banking Company	Richmond, Yorkshire	1836	Hankey and Co.
79	Saddleworth Banking Company	Saddleworth	June 29. 1833	Glyn and Co.
80	Wilts and Dorset Banking Company	Salisbury	Jan. 11. 1836	London and Westminster Bank.
81	Sheffield Banking Company	Sheffield	June 24. 1831	Smith, Payne, and Co.
82	Sheffield and Hallamshire Banking Company	Ditto	May 20. 1836	Glyn and Co.
83	Sheffield and Rotherham Joint Stock Banking Co.	Ditto	June 25. 1826	Barclay and Co.
84	Shropshire Banking Company	Sheffnall	May 27. 1836	Hanbury and Co.
85	Hampshire Banking Company	Southampton	April 29. 1834	Jones and Co.
86	Stamford and Spalding Joint Stock Banking Co.	Stamford	Dec. 28. 1831	Barclay and Co.
87	Bank of Stockport	Stockport	May 3. 1836	Jones, Loyd, and Co.
88	Stourbridge and Kidderminster Banking Company	Stourbridge	April 9. 1834	Smith, Payne, and Co.
89	Sunderland Banking Company	Sunderland	1836	London and Westminster Bank.
90	Monmouthshire Banking Company	Swansea	1836	Jones, Lloyd, and Co.
91	Wakefield Banking Company	Wakefield	Oct. 25. 1832	Glyn and Co.
92	Bank of Walsall and South Staffordshire	Walsall	Aug. 10. 1835	Rogers and Co.
93	Warwick and Leamington Banking Company	Warwick	Sept. 10. 1834	Ladbroke and Co.
94	Whitehaven Joint Stock Banking Company	Whitehaven	May 25. 1829	Robarts and Co.
95	Whitehaven Banking Company	Ditto	1836	Price and Co.
96	Wolverhampton and Staffordshire Banking Company	Wolverhampton	Dec. 28. 1831	Williams and Co.
97	Cumberland Union Banking Company	Workington	Mar. 13. 1829	Barclay and Co.
98	York City and County Banking Company	York	March 2. 1834	Barnett and Co.
99	York Union Banking Company	Ditto	April 23. 1833	Williams and Co.
100	Yorkshire Agricultural and Commercial Bank	Ditto	1836	London and Westminster Bank.

SECTION VII.

BRANCH BANKS.

The establishment of branch banks may be considered as the effect of the formation of joint-stock banks. A bank, consisting of only six partners, is seldom sufficiently well known over a great extent of country, to be able to open many branches. The credit of such a bank would be liable to be shaken, at one or other of its branches, and this might throw a suspicion on the whole establishment. But a joint-stock bank, possessing undoubted credit, may extend its branches with confidence wherever adequate business can be obtained. The comparative merits of an independent private bank, and a branch of a joint-stock bank, and the effects they are adapted to produce in any town in which they may be introduced, form a useful subject of inquiry.

In the first place, the branch bank may be supposed to possess greater security. The branch, however small, would possess all the security that belonged to the whole establishment. The notes issued at the branch would be as valid as notes issued at the head office; and deposits made at the branch would be recoverable from all the partners in the whole bank. In case a run were upon even the smallest branch, the directors would be as anxious to meet the demand as though the run were directed against the largest. A small private bank, on the other hand, would have its only resource within itself. Its own capital would form its only guarantee; and, in case of a sudden demand, it must expect but little assistance from its neighbours.

Secondly, a branch bank would command the use of greater capital.

Every joint-stock bank would call upon its shareholders, for a supply of capital equal to the carrying on of the business. This capital would be kept in a disposable form, and, not like the capital of some private banks, locked up in loans upon inconvertible security. The confidence the bank possessed would create more banking capital, by attracting deposits and facilitating the issue of notes. Some banks create more capital than they can employ: such is the case when the amount of notes and deposits is greater than that of the loans and discounts. Others employ more than their banking capital; and some banks employ more at one season of the year, and less at another. In such cases a branch bank would be fed with capital from the parent bank, as its wants might demand. If it yielded more capital than it required, the parent bank would employ it elsewhere. If it wanted capital, the parent bank would grant an ample supply. But in these cases a private bank would be troubled with an excess of capital which it might not be able to employ advantageously for a short period; or it might be distressed to raise capital to meet the wants of its customers.

Thirdly, a branch bank would probably do business with the public on lower terms.

A bank having many branches, usually charges the same rate of interest at all the branches. The Bank of England discounts at all its branches on the same terms as in London. This cheapness of discount occasioned a great reduction of profits to the private bankers. A branch bank, too, conducted on the principle of allowing interest on deposits, will probably allow a higher rate, because the money can always be employed at some one or other of the branches; and it will return the deposits at a shorter notice, because the funds of the whole bank are ready to meet the call. In the transmission of money, a system of branch banks has a decided advantage, be-

cause the branches draw direct upon each other, and discount bills, payable at all the branches respectively. In a system of independent banks the transmission of money from one to another is usually effected by a bill on London; and bills drawn by one town on another are obliged to be made payable in London.

Branch banks are enabled to charge less than private bankers, from their expenses and their expected profits being less. If a country bank, having many branches, employs a London agent, the charge for agency will be much less than though the branches were all independent banks. A branch bank is not under the necessity of keeping in its coffers so large a stock of gold as though it were an independent bank, because, in case of emergency, it is sure of obtaining supplies. The rate of profit, too, expected from a branch bank is much less than would be expected by a private banker. A banking company would be induced to establish a branch, could they be assured of obtaining a clear profit of one or two per cent. on their capital above the market rate of interest; but a private banker, who may be supposed already a wealthy man, would not consider that amount a sufficient remuneration for his own trouble and superintendence. Hence, his charges must be higher, to meet this increased rate of profit. Were the profits of a private banker, in proportion to the amount of capital employed, to be reduced to the average rate of profit of joint-stock banks, he would very soon think of retiring from business.

A branch bank may thus be established in a place where a private bank could not exist. It may also be opened in places not sufficiently wealthy to furnish capital for a joint-stock bank, and where the people have no banking facilities; branches being opened in such places, prevent the formation of banks with insufficient capital. For, to be without a bank is felt to be so great an inconvenience, that, if a good bank

cannot be obtained, a bad one will, for a while, be supported. Hence, shop-keepers and others have become bankers; and, having but a small capital, and being unacquainted with their business, they have, ultimately, involved themselves and others in irretrievable ruin.

I have hitherto, too, compared a branch bank with an independent private bank. I will now compare it with an independent joint-stock bank. Several of the advantages already specified will apply as justly in this case as in the other. The branch may, in this case, also be supplied with a greater amount of capital if it could be profitably employed; or it may have better means of disposing of its surplus capital. The charges of the branch, especially for the transmission of money by letters of credit, or by discounting bills, may also be less at the branch. In point of security, the two banks may be considered as on an equality; though, perhaps, in some cases, the advantage may be in favour of the branch.

The expense of managing a branch must be less than that of managing an independent bank, as a less number of directors would be necessary. The directors or managers of a branch, too, acting under the direction of a superior board, are less liable to be involved by indiscreet advances of loans from personal friendship or imperfect information. The transactions are more thoroughly sifted, and no important measure adopted without full discussion. The very circumstance of being accountable to a superior board would render the agents at the branch more scrupulous and cautious than they might otherwise be; and the periodical returns made to the head office would constantly bring all the business of the branch under the notice of experienced and unbiassed inspectors.

There are, however, some disadvantages attending a branch bank. As a branch bank is a mere co-

lony, the agents must be directed by the commands they receive from the seat of government; and the branch may be directed, in some cases, to adopt measures more adapted to promote the welfare of the whole establishment than to advance the interest of that individual branch. The Bank of England, for instance, may engage to lend, on advantageous terms, a certain sum of money to the government; and might consequently direct their agents at the branches to limit their discounts. As it is the duty of the directors to consult the interest of the whole establishment, they might consider themselves justified, as commercial men, in adopting this line of conduct. At the same time, it would be a great inconvenience to the persons resident at the places where the branches are established to be deprived of their usual discounts. So any other joint-stock bank having branches might limit their discounts at those branches in consequence of having more profitable ways of employing their capital at head quarters.

Another possible inconvenience to a branch arises from the circumstance, that most cases of importance are necessarily referred for the consideration of the head office: not that these cases are more difficult than ordinary cases, but because they are deviations from the usual course of business, or they belong to a class of transactions which is very properly reserved for the decision of the highest authority. And hence, persons who have dealings with the branch may be obliged to wait the return of post, or a still longer term, before they can obtain answers to important inquiries. This inconvenience may, however, be considerably diminished by giving to the managers or agents a high degree of discretionary power, and reserving as few cases as possible for the decision of the supreme board of directors.

The respective claims of these three different kinds of banks, as far as regards any particular place, must

depend on local circumstances. It is easy to imagine cases wherein a private bank of undoubted wealth and judicious management is superior to either a branch bank or an independent joint-stock bank. But private banks depend entirely upon the persons by whom they are managed; and these persons, whatever other endowments they may possess, are not endowed with immortality, nor with the power of bequeathing their good qualities to their successors. Leaving private banks out of the question, a branch bank seems best adapted for a small town; and an independent joint-stock bank for a large one. When banking is left perfectly free, the natural force of competition will soon enable each town to provide itself with that kind of bank which is best adapted to its own wants and circumstances.

The Bank of England has established twelve branches.

The business of the branches consists in discounting bills; in receiving deposits; in issuing bills on the London bank, at twenty-one days after date; and in the transmission of money to and from London. Each branch issues its own notes, which are payable at the place of issue, and in London. The rate of discount is the same as in London; no interest is allowed on deposits; no charge is made for a twenty-one-day bill on the parent establishment: but if money be lodged at the branch, to be received the following day in London; or lodged in London, to be received at the branch; a charge is made for commission, unless the parties have accounts at the branch.

TABLE I.

A Statement of the Affairs of the Branches for the last Four Years.

	1828.			1829.			1830.			1831.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Total expenses of the branches	27,082	5	5	32,639	17	5	36,421	11	9	37,725	17	8
Average amount of bills under discount	281,000	0	0	75,000	0	0	700,000	0	0	1,718,000	0	0
Cash transmitted through branch to London	1,250,000	0	0	3,430,000	0	0	4,447,000	0	0	6,142,000	0	0
Cash transmitted through London bank to branches	1,667,000	0	0	4,041,000	0	0	7,785,000	0	0	9,054,000	0	0
Coin sent from London bank to branches — gold	1,194,000	0	0	1,593,000	0	0	1,218,000	0	0	1,039,200	0	0
Coin sent from London bank to branches — silver	21,000	0	0	53,000	0	0	83,000	0	0	157,000	0	0
Coin sent from branches to London bank	38,717	0	0	61,561	0	0	190,973	0	0	113,466	0	0
Coin retained at the branches in proportion to the liabilities	nearly one half			nearly one half			above one third			one third		

With regard to the third item in the above statement, it is to be observed, that the London bankers receive, free of all charge except postage, the amounts paid in, for their credit, by their country correspondents. And with regard to the fourth item, it is also to be observed, that the country bankers who have accounts at the branch banks receive, free of all charge except postage, the amounts paid in for the credit of their accounts by their London or country correspondents; and a large part of the above sums were received and paid for bankers' accounts.

TABLE II.

A Statement of the Affairs of the Branches individually during the Year 1831.

	Average amount of bills under discount.	Interest received.			Commission received.			Losses on bad bills.			Average amount of notes and 21-day bills in circulation.	Cash lodged in London to be issued at the Branch.
	£	£	s.	d.	£	s.	d.	£	s.	d.	£	£
Gloucester	79,000	2,989	19	4	306	5	1	-	-		49,000	206,000
Manchester	194,000	7,127	17	11	464	13	7	344	11	6	1,197,000	5,380,000
Swansea	84,000	3,034	2	10	271	3	10	-	-		40,000	137,000
Birmingham	590,000	21,387	3	8	871	15	5	5,339	0	7	357,000	798,000
Liverpool	336,000	11,702	1	4	1510	13	2	-	-		305,000	837,000
Bristol	102,000	3,759	17	9	801	19	1	3,780	19	10	110,000	408,000
Leeds	128,000	5,114	15	5	235	4	10	-	-		157,000	338,000
Exeter *	18,000	653	11	0	179	0	0	-	-		27,000	116,000
Newcastle	38,000	1,766	10	9	126	15	9	-	-		37,000	416,000
Hull	62,000	2,382	0	4	152	2	4	98	10	0	53,000	52,000
Norwich	87,000	3,211	5	2	161	5	5	32,055	15	6	40,000	366,000

* Since 1831, the branch at Exeter has been discontinued, and a new branch established at Portsmouth, and another at Plymouth.

SECTION VIII.

BANKS OF DEPOSIT.

BANKING is a kind of trade, carried on for the purpose of getting money. The trade of a banker differs from other trades, inasmuch as it is carried on chiefly from the money of other people.

The trading capital of a bank may be divided into two parts: the invested capital, and the banking capital. The invested capital is the money paid down by the partners for the purpose of carrying on the business. This may be called the real capital. The banking capital is that portion of capital which is created by the bank itself in the course of its business, and may be called the borrowed capital.

There are three ways of raising a banking or borrowed capital: first, by receiving deposits; secondly, by the issuing of notes; thirdly, by the drawing of bills. If a person will lend me 100*l.* for nothing, and I lend that 100*l.* to another person at four per cent. interest, then, in the course of the year, I shall gain 4*l.* by the transaction. Again, if a person will take my "promise to pay," and bring it back to me at the end of the year, and pay me four per cent. for it, just the same as though I had lent him 100 sovereigns, then I shall gain 4*l.* by that transaction; and again, if a person in a country town brings me 100*l.* on condition that, twenty-one days afterwards, I shall pay the same amount to a person in London, then, whatever interest I can make of the money during the twenty-one days, will be my profit. This is a fair representation of the operations of banking, and of the way in which a banking capital is created by means of deposits, notes, and bills.

The profits of a banker are generally in proportion to the amount of his banking or borrowed capital. If a banker employ only his real or invested capital, it is impossible he should ever, in the ordinary course of business, make any profits. Bankers can seldom obtain more upon their advances than the market rate of interest; and that may be obtained upon real capital, without the expense of maintaining a banking establishment. If, after deducting the expenses, the profits amount to nothing more than the market rate of interest upon the invested capital, the bank may be considered to have made no profits at all. The partners have received no higher dividend upon the capital invested in the bank than they would have received if the same money had been laid out in government securities. To ascertain the real profit of a bank, the interest upon the invested capital should be deducted from the gross profit, and what remains is the banking profit.

A bank that receives lodgments of money is called a bank of deposit. A bank that issues notes is called a bank of circulation. Each bank attempts to procure a banking capital, but by different means. When a bank of deposit is opened, all the people in the district, who have money lying idle in their hands, will place the money in the bank. This will be done by the merchants and tradesmen, who are in the habit of keeping by them a sufficient sum of money to answer daily demands; by the gentry and others out of business, who receive their rents, dividends, or other monies, periodically, and disburse them as they have occasion. The various small sums of money which were lying unproductive in the hands of numerous individuals, will thus be collected into one sum in the hands of the banker. The banker will retain a part of this sum in his till, to answer the cheques the depositors may draw upon him; and with the other part he will discount bills, or otherwise

employ it in his business. But if, instead of a bank of deposit, a bank of circulation *only* be established, then the several small sums of money will remain unproductive, as before, in the hands of various individuals; and the banker, in discounting bills, will issue his own promissory notes.

Now, it is obvious that these two kinds of banking are adapted to produce precisely the same effects. In each case a banking capital is created, and each capital is employed in precisely the same way; namely, in the discounting of bills. To the parties who have their bills discounted, it matters not from what source the capital is raised—the advantage is the same to them—the mode in which they employ the money is the same—and the effects upon trade and commerce will be the same. Let us suppose that in each case the banking capital created is 50,000*l.* Now, the bank of circulation will have increased the amount of money in the country by 50,000*l.* The bank of deposit will not have increased at all the amount of money in the country, but it will have put into motion 50,000*l.* that would otherwise have been idle. Here, then, is a proof, that to give increased rapidity to the circulation of money, has precisely the same effects as to increase the amount. Here, too, is a proof of the ignorance of banking, on the part of those writers who consider that the banks which issue notes are the sole cause of high prices, over-trading, and speculation; whereas it is obvious, that if those effects are to be attributed to banking at all, they may as fairly be ascribed to banks of deposit as to banks of circulation.

Even those bankers who do not issue notes create a banking capital by the discounting of bills. They render their discounts subservient to the increase of their deposits. The London bankers will not discount, except for those persons who have deposit accounts with them. A party who has had bills discounted,

and has paid interest on the whole amount, must leave some portion of that amount in the hands of the banker, without interest. By this means the banker obtains more than the current rate of interest on the money actually advanced, and raises a banking capital to the amount of the balance left in his hands. "A good account," in the language of the London bankers, is an account on which there is a large deposit: a bad account is that on which the sum deposited is small. A person who keeps a good account may have his bills discounted readily; but a person who keeps a bad account will have his bills more severely scrutinised. The depositors are aware of this; and therefore they endeavour to keep a fair account with the banker, that they may at all times be able to obtain such accommodation in the way of discounts as they may require. This mode of raising a banking capital by means of discounts, without allowing interest on the deposits, appears to be less advantageous to the borrower than by means of notes. In the one case the borrower has to lodge some portion of his money in the hands of the banker, but in the other case he has only to take the banker's notes, which are probably as serviceable to him as gold. Hence, such banks appear adapted for the service of the rich rather than the poor. A young tradesman, who is commencing business with a slender capital, will hardly find it worth his while to open an account at a banker's, unless he has always by him a certain portion of his capital, which he is obliged to keep unemployed.

The London bankers grant no interest for money placed in their hands, nor charge any commission upon the amount of the transactions. Their customers pay them for the trouble of conducting their accounts by keeping a certain balance to their credit. The amount of the balance is never definitely fixed, but is regulated very much by the good sense and proper feeling of the parties. The number of cheques a

party draws—the degree of accommodation he receives by discount or otherwise—these and other circumstances are taken into consideration; and though the amount of the balance is not expressly stipulated, yet few people of business habits are at a loss to judge whether the average balance of their account throughout the year is sufficient to remunerate the banker.

By the Scotch banks, deposit accounts are divided into two classes: "accounts current," and "deposit receipts." The "accounts current" are similar to the "current accounts" kept by merchants, traders, and others in the English banks. The party pays his money into the bank, and makes all his payments by cheques upon the bank. The deposit receipts are similar to what the English bankers call "dead accounts." The depositor pays his money into the bank, and there it lies "dead" until he has occasion for it, and then he produces his receipt and withdraws the whole amount, or takes a new receipt for any part he wishes to leave. The deposit receipts are chiefly for the use of those who lodge their money in the bank merely for the purpose of security and interest. The accounts current are for those who, in addition to security and interest, wish to make use of the bank as a means of facilitating their pecuniary transactions. As far as regards the circulation of the banker's notes, each kind of account has the same effect; but as the operations on the current accounts are more frequent, they put into circulation a larger amount.

When a banker's own notes are lodged on a deposit account, they do not diminish the amount of his banking capital. The banking capital raised by his notes is diminished, but that raised by his deposits is in the same proportion increased. If, however, the interest he allows upon the deposits is greater than the expense of the wear and tear of his notes, then

will his banking capital be diminished in the more profitable, and increased in a less profitable, direction. But when a deposit consists of notes of other banks, his banking capital is increased by that amount. Hence, if a banker could know that all the money deposited in his hands would consist chiefly of his own notes, it might not be for his advantage to allow any interest on deposits. It would be better for him that his notes should remain in circulation.

It will be observed that the amount of notes issued on deposit accounts, depends not on the banker but upon the depositors: they lodge money in his bank, and draw it out when they please. The deposit system, therefore, cannot place in circulation any additional amount of money. The depositors cannot draw out of the bank more money than they had deposited. After the deposits are made, the amount of money in existence is precisely the same as before: the only difference is, that what was previously in the hands of many individuals, is now in the hands of the banker; and until he has made use of this money in the way of discounts or loans, or in some other mode, no effect whatever can be produced upon the trade and commerce of the district. All the advantage the people of the neighbourhood obtain by the deposit system, considered by itself, consists in having a place of security in which they may lodge their money, in receiving interest for the sums thus deposited—and in the saving of time and trouble in effecting their pecuniary transactions. But although the deposit system does not affect the amount of the currency, it changes its character. As the lodgments will be made in the previously existing currency—whether gold, or silver, or notes of other banks—and all the issues will be in the banker's own notes, the effect will be, that in course of time all the previous currency will have passed into the bank, and all the existing currency will consist exclusively

of the banker's own notes; and the more frequent and heavy are the operations on the deposit accounts, the more rapidly will this effect be produced.

Banks of deposit serve to economise the use of the circulating medium. This is done upon the principle of transfer. The principle of transfer was one of the first which was brought into operation in modern banking. The bank of Amsterdam was founded upon this principle. Any person who chose, might lodge money in the bank, and might then transfer it from his own name to that of another person. All foreign bills of exchange were required, by law, to be paid by such transfers. Although the money might at any time be drawn out, either by the original depositor or by the party into whose name it had been transferred, yet, in fact, this was seldom done, because the bank money was more valuable than the money in common use, and consequently bore a premium in the market. The transfer of lodgments is extensively practised in our own times. If two persons, who have an account in the same bank, have business transactions with each other, the debtor will pay the creditor by a cheque upon the bank. The creditor will have this cheque placed to his credit. The amount of money in the bank remains the same; but a certain portion is transferred into a different name in the banker's books. The cheque given by the debtor is an authority from the debtor to the banker to make this transfer.

Here the payment between the creditor and debtor is made without any employment of money. No money passes from one to the other: no money is paid out or received by the banker. Thus it is, that banks of deposit economise the use of the circulating medium, and enable a large amount of transactions to be settled with a small amount of money. The money thus liberated, is employed by the banker in making advances, by discount or otherwise, to his

customers. Hence the principle of transfer gives additional efficiency to the deposit system, and increases the productive capital of the country. It matters not whether the two parties who have dealings with each other keep their accounts with the same banker or with different bankers; for, as the bankers exchange their cheques with each other at the clearing-house, the effect, as regards the public, is the same. The deposit system might thus, by means of transfers, be carried to such an extent as wholly to supersede the use of a metallic currency. Were every man to keep a deposit account at a bank, and make all his payments by cheques, money might be superseded, and cheques become the sole circulating medium. In this case, however, it must be supposed that the banker has the money in his hands, or the cheques would have no value.

Since 1825, the following facilities have been granted by the bank of England to those who have deposit accounts; or, as they are called, "drawing accounts" at the bank:—

1. The bank receive dividends, by power of attorney, for all persons having drawing accounts at the bank.

2. Dividend warrants are received at the drawing office for ditto.

3. Exchequer bills, and other securities are received for ditto—the bills exchanged, the interest received, and the amount carried to their respective accounts.

4. Cheques may be drawn for *5l.* and upwards, instead of *10l.*, as heretofore.

5. Cash boxes taken in, contents unknown, for such parties as keep accounts at the bank.

6. Bank notes are paid at the counter, instead of drawing tickets for them on the pay clerks, as heretofore.

7. Cheques on city bankers, paid in by three o'clock, may be drawn for between four and five; and those paid in before four will be received and passed to account the same evening.

8. Cheques paid in after four, are sent out at nine the following morning, received and passed to account, and may be drawn for as soon as received.

9. Dividend warrants taken in at the drawing office until five in the afternoon, instead of till three as heretofore.

10. Credits paid into account are received without the bank book, and are afterwards entered therein without the party claiming them.

11. Bills of exchange, payable at the bank, are paid with or without advice; heretofore with advice only.

12. Notes of country bankers, payable in London, are sent out the same day for payment.

13. Cheques are given out in books, and not in sheets as heretofore.

The following is an account of the *average* annual amounts of the public and private deposits in the hands of the bank, from the year 1807 to the year 1831. Previous to the year 1807, the public and private accounts were kept in the same office, but then they were separated:—

Years.	Public Deposits.	Private Deposits.	Years.	Public Deposits.	Private Deposits.
	£	£		£	£
1807	12,647,551	1,582,720	1820	3,713,442	1,325,060
1808	11,761,448	1,940,630	1821	3,920,157	1,326,020
1809	11,093,648	1,492,190	1822	4,107,853	1,373,370
1810	11,950,047	1,428,720	1823	5,526,635	2,321,920
1811	10,191,854	1,567,920	1824	7,222,187	2,369,910
1812	10,390,130	1,573,950	1825	5,347,314	2,607,900
1813	10,393,404	1,771,310	1826	4,214,271	3,322,070
1814	12,158,227	2,374,910	1827	4,223,867	3,931,370
1815	11,736,436	1,690,490	1828	3,821,697	5,701,280
1816	10,807,660	1,333,120	1829	3,862,656	5,217,210
1817	8,699,133	1,672,800	1830	4,761,952	5,562,250
1818	7,066,887	1,640,210	1831	3,948,102	5,201,370
1819	4,538,378	1,790,860			

In consideration of having so large an amount of public deposits, the bank advanced, in March 1808, 3,000,000*l.*, without interest, for the public service; this advance was continued until April 1818.—The great increase in the amount of the private deposits, since the year 1825, has arisen from the increase of accounts, occasioned partly by distrust in the private bankers, and partly by the additional facilities granted by the bank to the depositors.

SECTION IX.

BANKS OF REMITTANCE.

In the infancy of commerce, all trade was carried on with ready money. Before good roads are formed, and posts are established, trade between distant places is carried on by merchants, who associate together in considerable numbers, and meet at fixed times at particular places, whence they commence their journey to the country with which they intend to traffic. When arrived at the place where the market is held, they dispose of their goods for ready money; they then lay out their money in the purchase of other goods, with which they return. Such was the practice with the merchants of the East, who formed the immense caravans that formerly traded between Europe and India; and such is the practice of similar caravans that now trade between Egypt and Mecca. In such cases all the transactions are carried on with ready money. The bankers, if such they may be called, are mere money changers, who exchange the money of the country in which they live, for the money of other countries.

The labour of carrying money from one country to another, was considerably diminished by the invention of bills of exchange; but the same mode of remittance was continued even in England, until a very recent period, with regard to the transmission of money through the provinces. When a country is considerably improved, good roads are established, and places hitherto obscure become seats of manufacturing and agricultural industry; an interchange of commodities will take place between the provinces; the produce of one district will be trans-

ported to another; hence will arise the necessity of having some means of transmitting money in payment of these respective commodities, and banks will consequently be established. It is not the banks that give rise to the trade, it is the trade that gives rise to the banks; though, after trade is established, the introduction of a bank extends the trade.

The most effectual means of transmitting money throughout a country is by an extensive establishment of banks; banks transmit money by means of their agencies, by means of their branches, and by means of the circulation of notes.

First.—Banks transmit money by means of their agencies. This is the way in which it is carried on by the country bankers. Each country banker employs a London agent to pay his notes or bills, and to make payments in London; and, on the other hand, to receive sums that may be lodged by parties residing in London for the use of parties residing in the country. As each country bank is thus connected with London, it is virtually connected with all the other banks in the country; as far, at least, as concerns the transmission of money.

Money is remitted from London to a country town, by being paid into a London bank, to the credit of the country bank, for the use of the party who resides in the country. Money is remitted from a country town to London, by being paid into a country bank, to the credit of their London agents, for the use of the party who resides in London, or by remitting to the party a bill drawn by the country upon the London bank. Money is remitted from one country town to another by paying the money into the country bank, to be paid by their London agents to the London agent of the country bank established in the town to which the money is to be remitted, or by sending direct to the party a bill drawn by the country upon the London bank, which

bill will be discounted by the bank established in the place to which the bill is sent.

Secondly.—Banks remit money from one place to another by means of their branches. Money is received at the head office for the credit of any branch; and money is received at each of the branches for the credit of the head office; and letters of credit are also granted at every branch upon all the other branches. The Bank of England transmits money from London to a branch; and, *vice versa*, for only the charge of postage. The branches also draw bills upon the parent establishment at twenty-one days date, without any charge.

Thirdly.—Banks remit money from one place to another by means of their circulation. Every bank of circulation will necessarily become a bank of remittance, whether it carry on the remitting of money as a branch of business or not. Some of the notes which are issued, will be sent as payments from one place to another. This will be more frequently the case if the notes are payable at any place besides the place of issue, or, if the bank that issues them has credit over a great extent of country: thus Bank of England notes serve the purpose of remittance all over the kingdom. They are usually cut in halves and sent by post, one half being retained till the receipt of the first is acknowledged. The issue of bank post-bills, payable seven days after sight, and granted in favour of the party to whom the payment is made, has still farther increased the efficiency of the Bank of England as a bank of remittance.

The extent of the remittances of any place must depend in a great degree upon its trade—that is, upon its exports and its imports. Money must be sent *from* a place to pay for its imports, and money must be *received* in exchange for exports. Both these branches of remittance, as far as regards provincial towns, are effected through the banks.

Exporters and importers, residing in a city or town, do not meet together, like the merchants engaged in foreign trade, and traffic for their bills, but both parties go to the bank. The exporter draws bills, which he discounts with the bank; the importer obtains from the bank, bills or letters of credit, which he remits in payment of his imports. The amount of this kind of business must, of course, depend upon the amount of the trade. Where the imports are great, there will be demand for bills, or other modes of remittance, upon the banker. When the exports are great, bills will be brought to him for discount, or lodgments will be made to his credit at his agent's. By comparing the sums which are thus transmitted in different directions, a banker can merely, by a reference to his own books, ascertain the balance of trade between the place in which he resides, and any other place with which it may have commercial intercourse. If he finds his exchanges with the neighbouring bankers are unfavourable, he may infer that the balance of trade is against the place in which his bank is established: and if, on the other hand, the exchanges are in his favour, he may infer the balance of trade is favourable. It will generally be found, that the trade between sea-port and inland towns is always in favour of the former. Manufacturing towns and large cities have usually the balance in their favour. It may be observed, however, that the balance of remittances will not *always* show the balance of trade. With regard to places of fashionable resort for instance, there must be a great consumption of commodities imported from other places, and at the same time there is no commodity exported: here the balance of trade is unfavourable; at the same time there must be great remittances in money to the parties residing there, to enable them to pay for the commodities they consume. Thus, too, when large sums are remitted from England to

absentee landlords, or as loans to foreign powers, the balance of remittance may be against England, while the balance of trade may be in her favour.

The remitting of money to London by a country bank, diminishes the currency to that amount in the place where the bank is established. If a person at Birmingham takes one hundred sovereigns to the branch of the bank of England, and obtains a bill at twenty-one days on the parent establishment in London, then is there a banking capital created for twenty-one days. If, when the bill becomes due, the Bank of England pay the bill in gold, the banking capital is destroyed. The currency of Birmingham is now one hundred sovereigns less, and that of London is one hundred sovereigns more. During the existence of the bill there were one hundred sovereigns less in circulation, and these one hundred sovereigns were represented by the bill. Some country bankers, instead of drawing bills upon their London agents, re-issue the bills they have discounted. By this means the banker saves the expense of remitting the discounted bill to London, and the person taking it saves the expense of the stamp for a new bill.

Banks of remittance encourage the trade of a district in two ways: First, by diminishing the prices of commodities. The facility of conveying money has the same effect upon trade as a facility of conveying commodities. The opening of good roads diminishes the expense of the conveyance of goods. This cheapness in the conveyance causes the commodities to be sold at a lower price. As the imports into the town are sold at a cheaper rate, and the exports are also sold at a lower price at the place of consumption, the increased cheapness in both cases increases the demand, and hence trade is advanced. The cheapness of conveying money operates in the same way as cheapness in the convey-

ance of goods. After the goods are sold, the money must be transmitted. The expense of remitting the money, like the expense of conveying the goods, must be regarded as an item in the cost of production, and be taken into account in fixing the price at which the goods must be sold. Banks remit money at a less expense than it can be remitted in any other way. Hence the merchants are enabled to sell their merchandise at a lower price, and thereby consumption is increased and trade is extended.

The second way in which banks of remittance promote trade, is by enabling capital to revolve more rapidly. They cause money to be remitted in a shorter space of time. For instance, an Irish butter merchant may purchase of a farmer a quantity of butter, and ship it for London. He may, on the same day, draw a bill for the value of the butter, and have it discounted at the bank. With this money he may purchase a farther quantity of butter, against which he may draw another bill, and have it discounted. This operation, if he be in good credit, may be repeated as often as he pleases. Now, if there be no bank in the district, he could not get the money for the first shipment of butter until the return of post from London, and then he would receive large Bank of England notes, which he might not easily be able to get changed. During this interval he can make no purchases for want of money, and the farmer has no sale for his butter: thus the banks enable the merchants' capital to revolve several times more rapidly than it could otherwise do. To increase the rapidity of the returns of capital has the same effect as to increase its amount. If any given amount of capital, that now revolves once in a year, be made to revolve twice in a year, it will have the same effect upon trade as if the amount of capital were doubled, and its progress remained the same.

Banks of *deposit* encourage the trade and wealth

of a district, by collecting together the various small amounts of money, that previously lay idle in the hands of the depositors, and employing this sum in advances, by way of loan or discount, to the productive classes of the community. The commodities thus produced, are remitted to a distant place for sale. But in the interval between the transmission of the goods and the return of the money for which they may be sold, the manufacturer is deprived of the use of this amount of capital. Banks of *remittance* guard against this inconvenience, and advance immediately to the manufacturer the value of the goods, by discounting his bill upon the party to whom they are consigned. By this means he has all the advantage to be gained from the higher prices of a distant sale, in connection with that prompt payment he would obtain from a home market. Thus it is, that while banks of deposit enable the capital of any district to revolve more rapidly *within the district*, banks of remittance enable it to revolve more rapidly with reference to other places. Both produce the same effect as that positive increase of capital which is introduced by banks of circulation.

SECTION X.

BANKS OF CIRCULATION.

A BANK that issues notes, is called a bank of circulation. The amount of notes that any bank has in circulation, is usually called by bankers "*the circulation.*" Banks of circulation, both in England and Scotland, have all of them had to sustain heavy accusations. I shall notice some of these charges,

not with a view of rebutting them in regard to any individual bank, but in order to discuss the general principles by which we should be guided, in judging of the effects produced by banks of circulation.

The most common charge against banks of circulation is, that they have issued an excessive amount of their notes; and thus have encouraged speculation, raised the price of commodities, and led to commercial convulsions similar to that of December, 1825.

Before entering upon the consideration of these charges, I shall point out the checks that operate against an over-issue of notes.

I have already stated, that similar accusations may be as justly advanced against banks of deposit as against banks of circulation; for to give increased motion to the currency has the same effect as to increase its amount. If a million of money be taken from the counting-houses of the merchants, and the tills of the shopkeepers, and lodged in the hands of a London banker, for him to employ in advancing loans or discounting bills, this has the same effect as though he issued for the same purposes a million of his own promissory notes. There is, however, one difference. The advances of a London banker are limited by the amount of his lodgments. If the money be not placed in his hands, he cannot issue it; and hence he may be regarded as merely an agent regulating the distribution of the previously existing currency. But the country banker having the power of making money, the amount of his advances is not subject to this restraint.

But the amount of notes issued by a bank must be limited by the demand of its customers. No banker is so anxious to put his notes into circulation, that he gives them away. He advances them either by way of loan or discount; and he always believes that the security on which he makes his advances is suffi-

ciently ample. He expects that the money will be repaid with interest. It is true, that like other commercial men, he is sometimes deceived in his customers; and by placing too much confidence in them, he sustains losses. But this is a misfortune against which he is always anxious to guard. The issues of bankers are limited, therefore; on the one hand by the wants of the public, and on the other by the bankers' desire to protect their own interests.

A further check upon the issues of banks is, that all their notes are payable on demand. Although a banker has the power of issuing his notes to excess, either by advancing them as dead loans or on slender security, yet he has not the power of keeping them out: their remaining in circulation depends not on him, but on the public; and the uncertainty, as to the time of their return for payment, compels him to keep at all times a sufficient stock of money, to meet the most extensive demand that is likely in the ordinary course of business to occur.

Another check upon an excessive issue of notes, is the system of exchanges that is carried on between the banks. Every banker that issues notes, has an interest in withdrawing from circulation the notes of every other banker, in order to make more room for his own. When a banker receives the notes of another banker, he never re-issues them. If the two bankers live in the same place, they meet once or twice a week, as they may find convenient, and exchange their notes. The balance between them, if any, is paid by a draft on London, payable on demand; or, which amounts to the same thing, the London agent of the one party is directed to pay the amount to the London agent of the other party. If the country banker lives at a distance from the banker whose notes he has received, he sends them to his London agent to present for payment. Hence it is that country notes seldom travel far from the

place of issue: they are sure to be intercepted by some of the rival banks; and in a country where banks are so numerous as in England, it is obvious that the notes of any individual bank must move in a very limited circle. If a banker attempts to force out a higher amount of notes than the wants of this circle require, he will soon find that the notes will be returned to him in the exchanges with the neighbouring bankers; or else they will speedily find their way for payment to his London agent.

Another check upon an over-issue on the part of the banks is, their practice of allowing interest upon money lodged in their hands. No man will keep money lying idle in his hands if he can obtain interest for it, and have it returned to him upon demand. If a banker attempts to force out a large amount of notes, they will get into the hands of somebody. And those who do not employ them in their trade will take them back to the bank and lodge them to their credit, for the purpose of receiving the interest. Thus, if the notes of a banker are put in motion by the operations of commerce, they are soon intercepted by rival bankers; and if they attain a state of rest, they are brought back and lodged upon interest; so that in either case they are withdrawn from circulation.

Banks of circulation have also been accused of encouraging a spirit of speculation.

To obtain clear ideas as to the justice of this charge, it will be necessary to define accurately the nature of speculation, and to view the circumstances by which it is governed.

Between the producer and the consumer of any commodity there are generally two or more parties, who are merchants or dealers. The demand for any commodity is either a speculative or a consumptive demand. The demand by the consumers who purchase for immediate use, is always a consumptive

demand. But if the commodity purchased be not intended for immediate use, but is purchased at any given time, merely because the purchaser apprehends that its price will advance, then is that demand a speculative demand. So, if a merchant purchase of a manufacturer, or a farmer, such a quantity of commodities as, in the ordinary course of his trade, he is likely to require, that demand may be considered a consumptive demand; but if, in expectation of a rise in price, he fills his warehouses with goods for which he has no immediate sale, then is that demand a speculative demand. A speculation, then, is that kind of traffic in which the dealer expects to realize a profit; not by the ordinary course of trade, but by the intervention of some fortuitous circumstance that shall change the price of the commodity in which he deals.

A speculation in any commodity, therefore, is occasioned by some opinion that may be formed of its future price. It is well known that the price of commodities is governed by the proportion that may exist between the supply and the demand. Whatever increases the supply, or diminishes the demand, will lower the price; and, on the contrary, whatever diminishes the supply, or increases the demand, will advance the price. The greater part of our food, and the materials of most of our clothing, are produced by the seasons; and the quantity produced in each year depends, in a great degree, upon the most uncertain of all things,—the weather. Here, then, is a wide field for speculation. If our food, like the manna in the wilderness, were supplied to us day by day, in exactly the quantity that each individual required, it would furnish no subject for speculation. But as long as the seasons are variable in the quantity of their productions, so long will speculation exist. Many commodities, too, besides being influenced by the seasons, are influenced by several

other circumstances,—as a state of peace or war,—the opening of new markets,—the discovery of cheaper modes of production,—or the substitution of a rival commodity; all these circumstances have an effect upon price, and the dealer who buys or sells any commodity in expectation that an alteration in price will be produced by such causes, is a speculator.

Now, it is obvious that no system of banking can prevent speculation, and that speculations would be formed, even were there no bank in existence. We learn from Holy Writ, that the owners of corn sometimes refused to sell, in expectation of an advance of price. These were speculations, though Judea had neither banks nor paper money. If it be said that the country banks are the cause of speculation, I will ask how it is that speculations exist in countries where there are no country banks? If it be said that the issuing of country notes is the cause of speculation, I will ask how it is that Liverpool is the most speculative place in England, although the Liverpool bankers do not issue notes? If it be said that the speculations of 1825 were produced by the country banks, I will ask, what produced similar speculations in 1720, when there was not a single country bank in the kingdom?

It must not, however, be denied, that all banking gives to speculation facilities that would not otherwise be so easily supplied. It is the object of banking to give facilities to trade, and whatever gives facilities to trade gives facilities to speculation. Trade and speculation are in some cases so nearly allied, that it is impossible to say at what precise point trade ends and speculation begins. When a banker discounts a bill, he does not usually ask the party how he intends to employ the money; and, for aught he knows, it may be employed in speculation. Wherever there are banks, capital is more readily obtained, and at a cheaper rate. The cheapness of

capital gives facilities to speculation, just in the same way as the cheapness of beef and of beer gives facilities to gluttony and drunkenness.

The legitimate operations of banking, however, are such as to place speculation under some degree of restraint. As to men of large capital and immense wealth, they may speculate as much as they please; over *them* the bankers have no control. But if men of moderate means engage in speculation beyond their capital, it is not the interest of the banker to support them. For such persons to carry speculation to any great extent, it is necessary either that they raise money on slender security, or that the money be advanced for a considerable length of time. It is not the interest of a banker to meet their wishes in either of these respects. It is not his interest to advance his money on insufficient security. It is not his interest to advance money as a dead loan. The security a banker requires ought to be both ample and convertible. It is contrary to all sound principles of banking for a banker to advance money on dead security. In the first place, such loans do not create any banking capital; and, in the second place, they cannot be suddenly called up, in case any contraction of the banking capital should render it necessary.

In admitting that banking, by granting facilities to trade, necessarily grants facilities, to a certain extent, to speculation, it is not admitted that bankers generally have granted facilities to speculation beyond the fair operations of their trade. All speculation, by increasing the number and amount of commercial transactions, puts into motion a greater quantity of money. This money is supplied by the bankers either in the way of repayment of deposits, or of discounting of bills, or by loans. Now, as increased issues on the part of the banks are almost simultaneous with a spirit of speculation, it has been inferred

that the issues of the notes have excited the spirit of speculation, whereas it has been the spirit of speculation that has called out the notes. In the years 1824 and 1825, as the speculations increased, the issues of notes increased; and when the speculations were over, the notes returned. This was the case not merely in England, but also in Scotland, though none of the Scotch banks sustained the least diminution of public confidence.

Another charge that has often been preferred against banks of circulation is, that by an increased issue of their notes they have caused a general rise in prices.

In investigating this charge, it will be proper to inquire what are the cases in which an increased issue of notes may produce a rise in prices.

It cannot be denied that if any bank have the privilege of issuing notes, not convertible into gold — that is, not payable in gold on demand — the notes may be issued to such an amount as to cause a considerable advance in prices. It is now generally believed that the issues of the Bank of England during the operation of the Restriction Act, did produce this effect. It may also be admitted that in a country where there is one chief bank, possessing an immense capital and unbounded confidence, the notes of such a bank, even if payable in gold, may be issued to such an extent as to cause an advance of prices, until an unfavourable course of the exchange shall cause payment of the notes to be demanded in gold. For gold will not be demanded until the course of the exchange is so unfavourable as to cause the exportation of gold to be attended with profit. Hence the issues of the Bank of England being at present under no other restraint than liability to pay in gold on demand, may for a time cause an advance in prices.

In cases where the increased issue of notes is

caused by the increased quantity of commodities brought to market, the additional amount of notes put into circulation does not cause any advance of prices. In all agricultural districts there is a great demand for notes, about the season of harvest, to pay for the produce then brought to market. In the south of Ireland the amount of notes in circulation is much greater in the winter, when corn and bacon are being exported, than in the summer months. Almost every trade and every kind of manufacture is carried on with more activity at some periods of the year than at others; and during the active seasons when money is in demand, more notes are in circulation. These notes are at such periods drawn out of the banks, either as repayments of money lodged, or by discount of the bills drawn against the exported commodities.

An increased issue of notes often causes the production of an additional quantity of commodities, and in this case does not produce an advance of prices. The issue of notes will be either in the form of discounts, or loans, or the repayment of deposits. In either case the parties receiving the money will spend it, and a demand will thus be occasioned for a certain class of commodities. If this demand should not exceed the quantity that can be readily supplied, there will no advance of price. The parties who receive the money from the banker may give it to the dealer in exchange for the articles they purchase. The dealer wishes to replace the goods he has sold, and passes the money for more goods to the manufacturer. The manufacturer consequently buys more raw material and employs more labourers. An increased quantity of goods is thus produced, and exchanged against the increased quantity of money. But while the supply can keep pace with the demand, the price will remain the same; it is only when the demand exceeds the supply, and

the commodities are consequently comparatively scarce, that the price will advance.

In many cases, an increased issue of notes is not the *cause* but the *effect* of an advance of prices. If a Yorkshire clothier sells a thousand pounds' worth of goods to a London merchant, he will draw a bill for a thousand pounds, and take it for discount to a country banker, whose notes for a thousand pounds may thus be put into circulation; but if, in consequence of a scarcity of wool, or from any other cause, the goods that were sold for a thousand pounds are now worth two thousand pounds, then will the banker discount a bill for two thousand pounds, and put into circulation two thousand pounds of his notes. In this case it is obvious that the issue of notes is not the cause of the high price of wool; but that the high price of wool is the cause of the increased issue of notes. Such is often the case with many other commodities; a real or apprehended scarcity causes an advance in price. The same commodity exchanges for a greater quantity of money. The bills are drawn for higher sums, and the bankers who discount these bills issue, of course, a greater amount of notes. The rise in price, too, renders more capital necessary to carry on the same extent of business. Many persons who had money in the bank on interest will now draw it out, to employ it in their trade, and these operations will occasion a still farther issue of notes. A rise in the price of one commodity will sometimes advance the price of other commodities, and hence similar banking operations are effected by persons engaged in other branches of trade. The process by which high prices cause an increase in the amount of notes in circulation, can thus be easily and obviously traced.

In cases where an increased issue of notes does cause an advance of price, the advance can be but temporary, and this advance may generally be

ascribed to a spirit of speculation on the part of the dealers, and not to an excessive issue on the part of the banks. As the prices of all commodities are regulated by the proportion that may exist between the demand and the supply, whenever an increased issue of notes raises prices, it must be either by increasing the demand for commodities, or diminishing the supply. The cases in which an increased issue of notes may cause an advance of prices, are chiefly those in which the money is employed in purchasing such commodities as cannot be readily produced by human labour. Thus, if a banker lend money to a corn merchant to purchase a stock of corn, he increases the demand for corn. If he lend money to a farmer to enable him to pay his rent without selling his corn, he diminishes the supply. In both cases he may cause an advance in price. But even in this case, the most unpopular that can well be imagined, the effect on price will be but temporary: for these speculations do not diminish the quantity of corn in the country. The supplies now withheld must ultimately be sold, and in proportion as they advance the price when withheld, will they lower the price when brought to market. A degree of speculation in some commodity or other is always on foot, and occasions fluctuations in the price. The banks have no control over these speculations, and ought not to be deemed answerable for the changes they occasion. To suppose that the banks can so regulate their issues as to maintain permanent prices, is to ascribe to them a power which they do not possess, and which, if they did possess, they ought never to use.

There are various cases wherein an increased issue of notes causes a reduction of prices. The speculations which advance prices are chiefly those carried on by *dealers*. The speculations of *producers* who invest their capital in new undertakings, with the view of producing any given commodities at a less

cost, will, if successful, reduce the price to the consumer, and so far as such speculations are assisted by the banks, the issue of notes thus occasioned tends to the reduction of prices. An advance of money which enables a farmer to bestow a higher degree of cultivation on his land—or which enables a manufacturer to extend his business—has the effect of increasing the quantity of commodities offered for sale, and, consequently, to reduce the price. The banks, too, by advancing capital on lower terms than it could be otherwise obtained, diminish the cost of production, and consequently, the price. The banks still farther reduce prices by destroying monopoly. In towns where there are no banks, a few monied men have all the trade in their own hands; but when a bank is established, other persons of character are enabled to borrow capital of the bankers. Thus monopoly is destroyed, competition is produced, and prices fall. Hence it is obvious, that *in the ordinary course of business* the issues of the banks tend not to advance but to lower prices.

The effect which the amount of notes in circulation has upon the foreign exchanges has been the subject of much discussion. One party contended, that as the amount of notes increases, the exchange must become unfavourable. Another party maintained, that the exchanges were not at all affected by the issue of notes, but by the state of foreign trade. The authors of the Report of the Bullion Committee expressed the former opinion, some of the Bank Directors maintained the latter.*

It is obvious that the exchanges are regulated by the amount of gold that is required to be sent abroad, either to pay the balance of trade, or to pay our armies, or to subsidize foreign powers, or as rents to absentees, or for some other purpose. Now it is

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clear that an increased or diminished issue of notes will in no way diminish the amount of gold that is to be sent abroad, and therefore can have no *direct* effect upon the exchanges. If we owe the gold, we must pay it. We may diminish our issues of notes, but that will not pay our debts. If, then, the issues of notes have any effect upon the exchanges, it must be in an *indirect* way.

I have already stated that an increased issue of notes can have no effect upon the prices of commodities at home, but by influencing either the supply or the demand. If the increased quantity of money raises the demand for commodities beyond a certain point, it will advance the price. And if it increases the supply, it will lower the price; but in no way can the quantity of money in circulation affect the price of commodities but through the channels of supply and demand. Just so with the foreign exchanges. An unfavourable course of exchange arises generally from our owing a sum of money which we have to pay in consequence of our imports having exceeded our exports. An increased quantity of money, therefore, to affect the exchanges must diminish the amount of our foreign debt, and it can do this only by either increasing our exports or diminishing our imports. When money is abundant our merchants can import more than formerly. This increases our debt. The importers are disposed to lay in stocks of goods, and the competition between the importers raises the price they give to the foreigner. Hence there are heavy sums to be sent abroad. It is true that when money is abundant our manufacturers and exporters can also export more goods, but the competition among exporters diminishes the price to the foreigner, and hence we have a less proportionate sum to receive. The exporter, too, having abundance of money, gives the foreigner long credit, and hence the money is not received in

England for a considerable time after the goods have been shipped. In the mean time the exchanges become unfavourable, and gold must be sent abroad. Now suppose in this state of things the bank contract their issues; money becomes scarce — bills cannot be discounted, and trade is dull. Now, then, the importer having already a heavy stock of goods, will buy no more; he is anxious to sell, for he has not now sufficient capital to keep so large a stock. A general desire of selling will cause a fall of price. Fewer commodities will now be imported, and these obtained at a less price, hence there is less money due to the foreigner. The exporters, on the other hand, deprived also of their usual accommodation, cannot carry on business to the same extent — the supply will be reduced — the competition is less, and prices rise to the foreigner. The exporters, too, cannot now give such long credit as formerly; they will call in the sums due to them, and hence more money must come in from abroad. As, then, we have to pay other nations a less amount of money for our imports, and they have to pay us a greater amount for our exports, the exchanges will become favourable. It is obvious that this operation will cause great embarrassment in trade; in fact it is only by producing embarrassment that a contraction of the currency can affect the exchanges.

The amount of notes in circulation affects the foreign exchanges in another way. When an increased issue takes place, money becomes more abundant; the lenders are more numerous, and the supply of capital is increased. Hence the price given for the loan of money, that is, the rate of interest, falls. Persons who have money to employ will find they cannot obtain the same interest as formerly, hence they will be disposed to invest it in the foreign funds, where it can be employed to greater advantage. In order to remit this money they will purchase

foreign bills; this demand for foreign bills will advance their price, and the exchanges will consequently be unfavourable. On the other hand, when the circulation is considerably reduced, money becomes scarce, a higher price will be given for the use of it, the rate of interest rises; persons who have property abroad will be disposed to bring it home, where it can be more profitably invested; they will draw bills against it and sell them in the market. This new supply of bills will lower the price, and make the exchanges favourable.

It should always be recollected that the transmission of money as subsidies, loans, or for investment in the foreign funds, will have the same effect upon the exchanges as though it were transmitted in payment of commodities imported. Whenever, therefore, the issue of notes shall, directly or indirectly, cause a transmission of money from one country to another, the exchanges will be affected. But when this shall not be the case, the expansion or contraction of the currency will have no effect upon the foreign exchange.

SECTION XI.

BANKS OF DISCOUNT.

A CONSIDERABLE branch of the business of modern banking consists in discounting bills of exchange. As they have only a short time to run before they fall due, the capital advanced soon returns; and being transferable, they can, if necessary, be re-discounted. Hence they are admirably adapted for the purposes of the bankers: for, as the advances of bankers to their customers are made with other people's money,

and that money may at any time be withdrawn, it becomes necessary that the securities on which those advances are made should rapidly revolve and be at all times convertible. By means of bills of exchange bankers can easily extend or diminish their advances in proportion to the capital they may have to employ. If they find that the amount of their deposits or the amount of their circulation is diminishing, they will diminish their discounts. If these increase, they may increase their discounts.

I. *Nature and Origin of Bills of Exchange.*—Bills of exchange are first mentioned in the reign of Henry II., Anno, 1160; but they were not used in England until 1307, the first year of Edward II. In the fifth year of Richard II. they were the only mode allowed by law for sending money out of the kingdom. They are said to have been invented by the Jews or the Lombards, for the purpose of withdrawing their property from the countries from which they were expelled. The drawer and the accepter of a bill were two persons, residing at two distant places, and the bill was probably nothing more than a written order delivered to a third person, who was going to visit the place where the debtor resided, and who would return with the money to the drawer. But it might happen that this person was not going to return; in this case he might advance to the creditor the amount of the order, and receive the money again from the debtor when he arrived at his journey's end. But this third person might not be going to the place where the debtor resided, he might be going only a part of the way, and he might then fall in with some other person who was going the other part; he would then request this other person to advance him the money in exchange for the order he had received from the creditor, and the order would then be transferred. It would thus be dis-

covered that as a creditor might give an order upon his debtor to a third person, this third person might transfer the order to a fourth, the fourth to a fifth, and so on. To effect these transactions it would be necessary that each person receiving the order or bill, had confidence in the drawer or some of the indorsers, and also that each person receiving it should have some compensation for the trouble it occasioned him. If the order were not payable on demand, but at some months after date, the compensation would be increased by the amount of interest for the time the order had to run before it would be payable.

Such is at present the case. The drawer of a bill on a person residing in the country *sells* it on the exchange. Foreign bills are never said to be *discounted*, but to be *sold*; for the person who gives the drawer the amount, is supposed to deduct not only the interest on the bill, but also the expense of its transmission. The buyer of a bill is a person who owes a sum of money to a person in another country (say in France), and who wants a bill to remit thither to pay his debt. The seller of a bill is a person who has exported a quantity of goods to France, and who draws a bill for the amount: it will be for the convenience of these two people to deal together: the buyer will give his money in exchange for the bill, which he will send to his creditor in France, and the seller will give his bill in exchange for the buyer's money, by which he is paid for the goods he has exported. If this money is equal to the amount of the bill, minus only what may be deemed equal to the discount and the expense of transmission, the exchange is said to be at par; but there are various circumstances which may cause the exchange to be either above or below par, and the price given for bills of exchange will vary accordingly.

When two nations exchange their commodities with each other to exactly the same amount, the

buyers will be just as numerous as the sellers. The demand for bills and the supply of bills will be equal; the exchange will now be at par; but it rarely or never happens that the exports and imports between any two countries are precisely the same; and as gold is the medium of traffic between nations as well as between individuals, the balance or difference between the purchases and the sales must be remitted in that metal. Now the expense in freight and insurance of sending a quantity of gold from one country to another will not be inconsiderable. If, then, I owe a sum of money to a merchant in France, I would be willing to give something more than that sum for a bill rather than submit to the expense and trouble of remitting gold. But if the bill would cost more than the expense at which I could send the gold, why, then the gold should go. It is evident, then, that in that nation which is in debt to another nation, and which, consequently, has to send gold to pay its debts, the demand for bills of exchange will be greater than the supply. These bills will be sold for more than the amount of the money for which they are drawn; they are then at a premium, but this premium never can rise higher than the expense of remitting an equal amount in gold: for if it were cheaper to remit gold, the gold would be remitted.

The price of bills in the market is usually called the rate of exchange; and when the balance of trade is against a country, and gold must be remitted to pay that balance, and, consequently, the price of foreign bills rises beyond their real value or par, then the course of exchange is said to be against that country: thus, for instance, if in London I can sell a bill on Paris for more than the amount for which it is drawn, then the course of exchange is said to be against England and in favour of France; but if I am obliged to sell my bill for less than the amount, then the exchange is against France and in favour of England.

no longer deal with him, hence the time of payment can never be calculated upon with certainty. But if the customer has given a bill for the amount he owes, that bill will circulate into the hands of other persons who will be more peremptory in demanding payment, and whose applications cannot be disregarded with impunity. Besides, if a man dishonour his acceptance, his character is stamped at once in the commercial world as being either very poor, very negligent, or very unprincipled, and at no future time will he be able to raise money upon the credit of his name. Hence many persons who are very tardy in paying a book debt, are very punctual in paying their bills. In case, too, a tradesman is under the necessity of bringing an action at law against his customer, he will have to prove the actual delivery of every article mentioned in his account. This, at a distance of time, is often difficult to do; but if a bill has been accepted for the amount, it is only necessary to prove that the acceptance is in the defendant's hand-writing.

3. Bills enable a tradesman to carry on a more extensive business with the same amount of capital. If, by the custom of trade, a dealer give his customers three months' credit, he can, during that period, make no use of that portion of his capital which is invested in the commodities they have purchased; but if they accept his bills, drawn at three months after date, he can, if in good credit, get those bills discounted at the bank in his town, and then employ this money in the farther extension of his business. He will thus, while selling on credit, obtain nearly the same advantages as though he sold for ready money. Should he, instead of having these bills discounted, pay them to the manufacturer or wholesale-house of whom he makes his purchases, it will amount to nearly the same thing. The whole of his capital is thus kept in motion, and is not dimi-

nished by any amount of out-standing debts. To give credit without drawing bills requires that a tradesman should have a large capital. To give no credit will restrict his business. By means of bills he is enabled to give credit and to extend his business, without requiring any addition to his capital.

4. Bills afford an easy way of giving a guarantee. A person may wish to borrow money of me, and I may be unwilling to lend it to him unless he procure a more wealthy person to guarantee the re-payment at a given time. If he has a friend that will do this, the most easy way of effecting the guarantee is by means of a bill drawn by the borrower upon his friend. This, in point of security, is the same thing as a letter of guarantee; but it has also this additional advantage, that if I should want the money before the time fixed for its re-payment, I can get this bill discounted and reimburse myself the money I have advanced. Bills of this description are called accommodation-bills, or wind-bills, or kites. When employed only as a means of affording occasional assistance to a needy friend, or for raising a sum of money for a short time, to meet an unexpected call, they do not appear to be very objectionable. But when systematically pursued for the purpose of raising a fictitious capital whereon to trade, they uniformly indicate the folly and effect the ruin of all the parties concerned.

5. Bills are the means of facilitating the removal of capital from one branch of trade to another as circumstances may require. When the demand for any commodity increases, the price advances, and more capital is put into requisition to increase the supply. When the demand for any commodity declines, the price falls, the trade is bad, and capital will be withdrawn to be invested in a more profitable employment. Every branch of trade is liable to fluctuations from an alteration in the proportion be-

tween the demand and the supply, and hence capital is continually undergoing a transfer from the production of those articles for which there is a less demand to the production of those articles for which there is a greater demand. But in what way is this transfer effected? Is it by a manufacturer leaving one employment for another? No. The manufacturer in the declining trade will reduce his capital, while the manufacturer in the prosperous trade will augment his capital; and the transfer of capital from one trade to the other is effected chiefly by bills of exchange. The manufacturer who has sold a less quantity of commodities, will have fewer bills for his banker to discount; the other, having sold a greater quantity of commodities, has more bills for discount. The banker's capital, which he employs chiefly in the discount of bills, is thus easily transferred from one branch of manufacture to another, in exact proportion to the circumstance of the respective parties. On this subject I quote Mr. Ricardo:—

"In all rich countries there is a number of men forming what is called a monied class. These men are engaged in no trade, but live on the interest of their money, which is employed in discounting bills, or in loans to the more industrious part of the community. The bankers, too, employ a large capital on the same objects. The capital so employed forms a circulating capital of a large amount, and is employed in larger or smaller proportions by all the different trades of a country. There is, perhaps, no manufacturer, however rich, who limits his business to the extent that his own funds alone will allow, he has always some portion of this floating capital increasing or diminishing according to the activity of the demand for his commodities. When the demand for silks increases, and that for cloth diminishes, the clothier does not remove with his capital to the silk trade, but he dismisses some of his workmen, and he

discontinues his demand for the loan from bankers and monied men. While the case of the silk manufacturer is the reverse: he wishes to employ more workmen, and thus his motive for borrowing is increased; he borrows more, and thus capital is transferred from one employment to another without the necessity of a manufacturer discontinuing his usual occupation."

III. *Classes of Bills.*—The bills presented to a bank for discount may generally be divided into the following classes:—

1. Bills drawn by producers or manufacturers upon wholesale dealers.
2. Bills drawn by wholesale dealers upon retail dealers.
3. Bills drawn by retail dealers upon consumers.
4. Bills not arising out of trade, but yet drawn against value, as rents, &c.
5. Kites, or accommodation bills.

The first two classes of bills are the best, and are fair legitimate bills for bankers to discount.

The third class ought not to be too much encouraged. They are for comparatively small amounts, and are drawn by shopkeepers and tradesmen upon their customers. To discount these bills freely would encourage extravagance in the accepters; and ultimately, prove injurious to the drawers. When a man accepts bills to his butcher, baker, tailor, upholsterer, &c., he may fairly be suspected of living beyond his income. Solvent and regular people pay their tradesmen's accounts with ready money.

The fourth class of bills, though sometimes proper, ought not to be too much encouraged. Persons out of trade have no business with bills.

* Ricardo's Principles of Political Economy, page 84.

The last class of bills should almost always be rejected. To an experienced banker, who knows the parties, the discovery of accommodation bills is by no means difficult. They are usually drawn for even amounts, for the largest sum that the stamp will bear, and for the longest term that the bank will discount, and are presented for discount soon after they are drawn. The parties are often relations, friends, or parties who, from their avocations, can have no dealings with each other.

Not only the parties and the amounts of bills are matters of consideration to a banker, but also the time they have to run before they fall due. A bill drawn for a long term after date, is usually styled, not perhaps very properly *a long-dated bill.* A bill drawn at a short term, is styled a short-dated bill.

Query, — Is it most for the interest of a bank to discount long-dated bills or short-dated bills?

Short Bills versus *Long Bills.* — First, There is more safety in discounting short bills, because the parties may fail before the long ones become due. Secondly, If any given amount of capital be employed in discounting bills, it will accumulate more rapidly by discounting short bills than long bills, operating in the same way as money placed at compound interest, which increases the faster, as the times of paying the interest are more frequent. Thirdly, If a bank charges commission on the amount of the bills discounted, the commission will be more in the course of a year upon any given amount of capital employed in discounting short bills than employed in discounting long bills. Fourthly, If a bank issue notes, a greater amount of notes will be issued in discounting a succession of short bills, than by discounting long bills. Thus if I discount a bill for 1000*l.* drawn at twelve months after date, I issue only 1000*l.* of notes; but if I discount in succession four bills, each having only three months to

run, I issue, in the course of the year, 4000*l.* of notes. Fifthly, Long-dated bills lock up the funds of a bank so that they cannot be discounted with safety but from the bank's own capital; for if a bank employs its deposits or its circulation in discounting long-dated bills, and payment of the notes or deposits should be demanded, the long-dated bills could not be re-discounted, and the bank must stop. Sixthly, Long bills may encourage speculation. Persons may purchase large quantities of commodities in the expectation that the price will advance before the long bills which he accepts in payment shall fall due. But if the bills are of short date, the speculation will be prevented.

Long Bills versus *Short Bills.*—First, The amount of discount is greater on a long bill than on a short bill. If, therefore, a gentleman out of business wants a temporary advance, and proposes to draw a bill on his friend, it is better to advise him to draw a long bill than a short one. Secondly, Long Bills will employ a larger amount of capital. If a banker discounts any given amount per week, he will always have twice the amount of bills current, if they are drawn at four months' date, than he will have if they are drawn at two months. And, as bankers wish to employ their capital, it will be more for their advantage to discount such bills as will employ the largest amount. Thirdly, The discounting of long-dated bills, being a more permanent advance of capital, is more beneficial to the commercial and agricultural classes in the district. If a retail dealer can get long bills discounted, he can afford to give longer credit, and this will induce his customers to buy more goods of him, and he will do more business. If a manufacturer or wholesale dealer can get his long bills discounted, he also can give longer credit, and will sell more goods. If a landlord can get a long bill on his tenant discounted, he need not urge him for rent,

and the money may, in the interim, be employed in improving the land. The discounting of long bills is similar to a permanent advance of capital. The money may be profitably employed, and be reproduced before the long bill may become due; but if the bill be short, this cannot be done.

IV. *Notaries Public.* — "A notary was anciently a scribe that only took *notes* or minutes, and made short drafts of writings and other instruments, both public and private. But, at this day, we call him a notary public, who confirms and attests the truth of any deeds or writings, in order to render the same authentic." * This part of the business of a public notary must have been very necessary before the discovery of the art of printing, and when many of the first men in the state were unable to read or write. We find that some public documents have been attested by notaries in the following form:—"As my Lord Bishop is unable to write, I do hereby certify, that the above is his mark." These notaries were appointed by the archbishop of Canterbury, and took an oath of fidelity on receiving their appointment. All instruments made by them were considered public instruments, and were received as evidence in the courts of law.

The business of a notary in the present day includes the making of wills, drawing up powers of attorney, bonds of arbitration, bills of sale, charter parties, and attestations. The drawing of instruments of this description, constitutes almost the sole employment of some notaries, while the chief business of others consists in noting and protesting bills of exchange. Some notaries are translators of languages, but more frequently they employ a foreigner for this purpose.

* Burns' Ecclesiastical Law, vol. iii. page 1.

The difference between the noting and the protesting of a bill of exchange for non-payment, is this: —In noting, the notary, after having presented the bill at the proper place, and demanded payment, attaches to it a small piece of paper, on which he writes the amount of his charge, and the reason why the bill is not paid — such as "no effects," "no advice," "out, no orders," "will be paid to-morrow," &c. This piece of paper is called "the notary's ticket;" and the writing on it is called "the notary's answer." Some notaries have their names and address printed on their tickets. The notary also places on the bottom part of the bill, in front, the initials of his name, the amount of his fee, and the date of the noting. The same form is used in noting a bill for non-acceptance.

The practice of noting bills of exchange is not recognised by the laws of England. It is said to have taken its rise from the following circumstance: — After the modern system of banking was established and bills of exchange became numerous, it was customary for one of the clerks of the banking-house to act as a notary. If the bill had been presented in the morning and was not paid, he called in the evening to ask the reason of its non-payment, and he charged a small fee for this additional trouble. By degrees this practice became established, and, ultimately, a notary public was employed for the purpose.

A protest is a legal instrument, drawn on stamped paper, generally according to the following form: —

On this day, *Wednesday*, the *first day* of *January*, one thousand eight hundred and thirty-*four*, I, *A. B.*, Public Notary, by legal authority admitted and sworn, dwelling in the city of , did present for *payment* the original bill (a true copy whereof is within written) to *a woman* at , who replied, *that said bill could not then be paid.*

Wherefore, I, the said notary, do solemnly protest against the drawer and endorsers of the said bill, and all others therein con-

cerned, for all exchange, re-exchange, losses, costs, interests, and damages, suffered and to be suffered, for want of *payment* of said bill. Thus done in my office, the day and year aforesaid.

Which I attest,

A. B. Not. Pub.

If a bill has been protested for non-acceptance, it must, when due, be again protested for non-payment. The holder of a protested bill should immediately send the protest to the party of whom the bill had been received. If the bill was only noted, the party should receive due notice.

If an action be brought upon a bill which has been only noted, it will be necessary to produce a witness in court, to prove that the bill was duly and properly presented for payment: but if the bill has been protested, the production of the protest will be sufficient evidence. No action can be brought upon a foreign bill unless it has been protested. But if the bill has been duly noted, a protest may be drawn up at any time previous to the commencement of a suit, without a second presentation of the bill at the place where it was payable.

An inland bill may be protested for non-acceptance if it be above *5l.*, if drawn after date, and if the value is stated therein to be received. Inland bills, in such cases, may also be protested for non-payment, if they have been accepted. No other inland bills can legally be protested. This excludes bills drawn after sight, or for a less sum than *5l.**

Although every foreign bill must be protested, yet it is not considered absolutely necessary that an *inland* bill should be either noted or protested, in order to sustain an action for the amount.

A bill is usually noted or protested for non-payment after bank hours, on the evening of the day on which it falls due. But if not done then, it may be noted

* See Bayley on Bills of Exchange, p. 262.

or protested at any subsequent time. The omission of the noting or protesting by the holder does not nullify his claims upon any of the antecedent parties, provided they received due notice of the dishonour. Foreign bills should be noted on the day that acceptance or payment was refused. Inland bills may also be noted on that day, but a protest for non-payment of an inland bill cannot be made out until the day after it is due.

If a bill be refused acceptance by the drawee, and another party accept it for honour of the drawer or of an indorser, it must again be protested for non-payment by the drawee before an action can be sustained against the accepter.

In London it is not the custom to protest inland bills at all. And in case of non-acceptance, they are not even noted, unless drawn after sight. It is then necessary that they should be noted, in order to fix the time on which they fall due. Inland bills are always noted for non-payment. Foreign bills are protested both for non-acceptance and for non-payment. Bills drawn from Ireland or from Scotland are regarded as foreign bills. The notary's charge for noting a bill within the site of the ancient walls of the city of London is 1*s.* 6*d.* Beyond those limits the charges are 2*s.* 6*d.*, 3*s.* 6*d.*, 5*s.*, and 6*s.* 6*d.*, according to the distance. The charges for protesting a bill under 20*l.* is 7*s.* 6*d.*,—from 20*l.* to 100*l.* it is 8*s.* 6*d.* — 100*l.* to 500*l.* it is 10*s.* 6*d.* — 500*l.* and upwards it is 17*s.* 6*d.* The charges of notaries in London are not fixed by law; but are regulated by a society which they have established themselves, and which issues printed rules, a copy of which is given to each notary. Mr. Justice Bayley has stated positively, that if a bill be paid when presented by the notary, the accepter is not bound to pay the expense of noting. But this is contrary to the usual practice. In such cases, the notaries always refuse to take the

money for the bill, unless they are paid the noting fees at the same time.

It is customary for the country bankers to re-issue the London bills they have discounted. In this case, they always indorse the bills, and place on them a "case of need." A case of need is a reference for payment to a merchant or banker in London, if the bill should not be paid by the party on whom it is drawn. This reference is made by writing on the back of the bill at bottom—"In case of need apply to Messrs. A. B. & Co." If, then, the bill should not be paid, Messrs. A. B. & Co., will pay it for honour of the indorser. The advantage of placing a case of need upon a bill is, that the party indorsing it receives it back sooner in case of non-payment. It also makes the bill more respectable, and secures its circulation. The notaries always observe these "cases of need," and after having noted the bill apply to the referee.

In the year 1801, an Act of parliament was passed, for the better regulation of public notaries in England. It enacts, that from and after the first day of August, 1801, no person shall be admitted as a notary, unless he shall have served as an apprentice for seven years to a public notary, or to a scrivener, being also a public notary. Within three months after the date of the indenture of apprenticeship, one of the subscribing witnesses must make an affidavit of the fact before the master of the Faculties of his grace the lord archbishop of Canterbury, in London, his surrogate, or commissioner. This affidavit is to be entered in a book, for which the clerk may charge the sum of *5s.*, and this book may be searched by any person on paying the sum of *1s.* for each search. Every person, previous to being enrolled as a notary, must also make an affidavit that he has served an apprenticeship of seven years, and that during the whole of that time he has been actually employed in

the business. No public notary can have an apprentice but while he actually practises. Persons applying for a faculty to become notaries within the jurisdiction of the company of scriveners, must previously take their freedom of that company. Any person doing any thing belonging to the office of the notary, without being enrolled, shall forfeit the sum of 50*l.*

In the year 1833, an Act was passed to alter and amend the Act of 1801, for the better regulation of public notaries in England. It limits the operation of the former Act to the city of London and liberties of Westminster, the borough of Southwark, and the circuit of ten miles from the Royal Exchange, in the said city of London. Beyond those limits the archbishop of Canterbury may authorise attorneys, solicitors, and proctors, to practise as notaries within any district in which it shall be made to appear to the master of the court of Faculties, that there is not (or shall not hereafter be) a sufficient number of such notaries public. (3 & 4 W. IV. c. 70.)

In default of a notary public, a bill may be protested for non-acceptance or non-payment by any other substantial person of the city, town, or place where such bill or note shall be so dishonoured, in the presence of two or more credible witnesses, which protest shall be made and written under a fair written copy of such bill or note.

V. *The rate of Discount.* — During the middle ages it was believed that all interest taken for the loan of money was unjust and unscriptural, and the lender was stigmatised as a usurer.

Though this notion has been altogether discarded in modern times, it may not have been either pernicious or absurd at the time it was introduced. It originated when the population was purely agricultural. That a man who borrows money with a

view of making a profit by it, should give some portion of his profit to the lender, is a self-evident principle of natural justice. A man makes a profit usually by means of traffic. But in a country purely agricultural, and under such a government as was the feudal system, there can be but little traffic, and hence but little profit. Besides, in an agricultural country a person seldom wants to borrow money except he be reduced to poverty or distress by misfortune. Now, for a rich man who has money which he cannot profitably employ, to charge interest for a loan to a man in distress, appears to be consistent with neither justice nor benevolence.

Erroneous views are often entertained of the Mosaic laws, from neglecting to consider the state of the people to whom those laws were given. It was the object of the Jewish legislator to make the Jews a purely agricultural people. The promotion of agriculture was, as Montesquieu would say, the SPIRIT of his laws. Hence he prohibited the taking of interest for the loan of money. By this means he interdicted commerce. His design was to prevent the Israelites associating with the surrounding nations, and learning their idolatrous practices. But even Moses permitted the Jews to take interest for money lent to strangers; a circumstance which proves that the prohibition was only a political and not a moral precept. If the taking of interest for money were morally wrong, it would have been forbidden in all cases. But in the middle ages the political and the moral laws of Moses were confounded together, and all of them were supposed to be of perpetual obligation upon all nations. These opinions, which might have been useful in a purely agricultural state, were still indulged when a change of manners required that this country should become commercial. If we admitted the unlawfulness of taking interest for money, we might on the same

principle condemn all kinds of commerce, and even all profitable investment of capital. Where is the difference between taking money for the use of money, and taking money for the use of commodities that are purchased with money? If I lay out 100*l.* in the purchase of a house, I am allowed to take rent for the use of that house. Why, then, if I lend to a friend the 100*l.* with which he purchases a house, am I to receive no remuneration? If we are not allowed to receive any money for the loan of money, why are we allowed to receive money for the loan of a house or a coach, or any other article? An exorbitant charge for interest is certainly unjust, but so is an exorbitant charge for any thing else.

After it had been admitted that it was lawful to take interest for the loan of money, the government thought proper to limit the amount. In the reign of Henry VIII. interest was limited to 10 per cent. James I. reduced it to 8 per cent.; at which rate it remained till the reign of Charles II., when it was reduced to 6 per cent.; and finally, in the reign of queen Anne, it was reduced to 5 per cent. But, in Ireland, the legal rate of interest is still 6 per cent. However inapplicable these laws may be to our own times, they were probably beneficial at the time they were enacted. In our time capital has accumulated, money is abundant, the lenders are numerous, hence competition is sure to take place, and the value of money will be regulated in the same way as that of any other commodity in the market. But, in those times, the lenders were few, and might easily combine to fix the rate of interest as they pleased. They had, in fact, though not a legal, yet an actual monopoly; and hence it was necessary that they, like other monopolists, should be placed under restraint. In our times, it is the rate of profit which regulates the rate of interest. In those times, it was the rate of interest which regulated the rate of profit. If the

money-lender charged a high rate of interest to the merchant, the merchant must have charged a higher rate of profit on his goods. Hence, a large sum of money would be taken from the pockets of the purchasers to be put into the pockets of the money-lenders. This additional price, too, put upon the goods, would render the public less able and less inclined to purchase them. The laws, therefore, which restricted the rate of interest were, probably, in those times, friendly to trade.

Sir Josiah Child, in his excellent Essay on Trade, accuses the "new-fashioned bankers," of being "the main cause of keeping the interest of money at least two per cent. higher than otherwise it would be; for, by allowing their creditors six per cent., they make moneyed men sit down lazily with so high an interest, and not push into commerce with their money, as they certainly would do, were it at four or three per cent., as in Holland. This high interest also keeps the price of land at so low as fifteen years' purchase. It also makes money scarce in the country, seeing that the trade of bankers being only in London, it very much drains the ready money from all other parts of the kingdom."

That we may be able to judge of the truth of these accusations, it will be necessary to make some observations upon those circumstances which influence the rate of interest.

It has been the opinion of most of our political economists, that the rate of interest is regulated by the rate of profit. This sentiment has, however, been attacked. It has been contended, that the rate of interest is not influenced by the average rate of profit, but by the quantity of moneyed capital in the market, compared with the wants of the borrowers. In other words, that the price of money is influenced by the proportion between the demand and the supply.

This sentiment is undoubtedly right; but it does

not overthrow the proposition against which it is advanced. The price of money, or of the loan of money, is no doubt, like the price of every other commodity, regulated *at any particular time* by the proportion between the supply and the demand; but does not the rate of profit regulate the supply and the demand? Will any commercial man borrow money when he must give a higher interest for it than he can make profit by its use? Or will any man lend money at a very low interest, when, by engaging in business, he can make a very high profit? It is true, that on particular occasions, and under particular circumstances, some individuals may do this, but not permanently and universally. It is obvious then, that a high rate of interest, in proportion to profits, increases the supply of money, and diminishes the demand; and a low rate of interest, in proportion to profits, increases the demand for the loan of money, and diminishes the supply. The rate of interest, therefore, is ultimately regulated by the rate of profits.

When we say the price of cotton is regulated by the cost of production, we do not mean to deny that the market price of cotton is fixed by the proportion between the demand and the supply. On the contrary, this is admitted; but then it is contended, that the supply itself is regulated by the cost of production. If the market price of cotton were so low as not to furnish to the grower a fair average of profit on the capital employed, then would capital be removed, after a while, from the cultivation of cotton to some other employment. And if the price of cotton were so high as to furnish more than the fair average of profit, then, after a while, more capital would find its way into that employment, the supply would be increased, and the prices would fall; but it is only by influencing the supply that the cost of production has any effect upon the price. Thus,

although the cost of production may be the same for a number of years, the price may be perpetually varying. The price may, from a variety of causes, be in a state of constant vibration; but it cannot *permanently* deviate on one side or the other much beyond the line marked out by the cost of production.

It is the same with the interest of money. It is subject to perpetual fluctuation, from the proportion between the demand and the supply: but it will not deviate far from the line marked out by the rate of profit; for the rate of profit not only influences the supply (as with cotton) but also influences the demand.

The above reasoning is founded on the supposition that those who borrow money, borrow it for the purpose of investing it in trade, or of making a profit by its use. But this is not always the case; and is never the case with the government of a country, who always borrow for the purpose of spending. Now we can form a judgment as to what portion of his profits a merchant is willing to give for the loan of a sum of money, but we can form no judgment as to the conduct of a profligate rake who wants money to spend on his follies. A king or a government is in the same state. They will borrow money as cheap as they can; but, at all events, money they will have. We cannot, therefore, infer that, because Charles II. gave, at times, to the new-fashioned bankers, thirty per cent. for money, that the average rate of profit exceeded thirty per cent. May not, then, these advances to the king have had the effect of raising the interest of money, and thus justify the accusations of Sir Josiah Child?

When a number of commercial men borrow money of one another, the *permanent* regulator of the rate of interest is the rate of profit; and the *immediate* regulator is the proportion between the demand and

the supply. But when a new party comes into the market, who has no common interest with them, who does not borrow money to trade with, but to spend, the permanent regulator (the rate of profit) loses its influence, and the sole regulator is then the proportion between the demand and the supply. The loans to the king created a much greater demand for money, and the rate of interest consequently rose. These demands were to so great an amount, and were so frequently repeated, that the rate of interest became permanently high. Many individuals would, no doubt, (as Sir Josiah Child states they did) withdraw their capitals from trade, and live upon the interest of their money. And others, who were in business, would employ their superfluous capital in lending it at interest, rather than in extending their business. Those commercial men who now wanted to borrow money must give a higher interest for it than they did before. To enable themselves to do this, they must charge a higher profit on their goods. Thus, then, in this artificial state of the money market, it appears reasonable to suppose that the rate of interest may have regulated the rate of profits, instead of the rate of profits regulating the rate of interest, which is the natural state.

As the rate of interest is regulated by the proportion between the demand and the supply of money, it will vary, not only in different countries, but in different provinces of the same country, according to the proportions found to exist. In the London money market the rate of interest is usually much less than in the country. The price of any commodity when purchased in large quantities at a wholesale warehouse, is always less than that at which it is retailed to the consumer. So the price of the loan of money at the Stock Exchange, where it is advanced, in large masses upon government security, will always be less than when advanced in

small sums upon individual security. A low rate of interest in London, however, will, after a while, have the effect of lowering the rate of interest in the country *upon those securities which are negotiable in London.* For if the country banker insists on a higher rate of discount for bills drawn upon good London houses, the drawer will send them to a bill broker in London, who will get them discounted, and remit the money to the drawer. But with regard to those bills which are not payable in London, a higher rate of discount may be obtained. At this moment the Bank of Ireland are discounting bills on London, at four per cent., while five per cent. is charged upon bills payable in Ireland.

The cheapness of money in London has the effect of diminishing the number of bills drawn upon London. A London merchant who sends an order for goods to a country manufacturer, instead of saying, "draw upon me at two months," will say, "allow me the discount, and I will send you the cash." If he can get an allowance of four per cent. discount, and borrow the money in London at two per cent., he will make an additional profit on the transaction. As the surplus quantity of money in London thus becomes diffused throughout the country, the rate of discount will gradually advance in London and fall in the country.

Although a low rate of interest indicates the abundance of capital, and hence may be considered as a favourable circumstance in the condition of any nation, yet it produces some injurious effects; it occasions the removal of capital to foreign countries; it weakens the inducements to frugality and accumulation; and it encourages speculative and hazardous undertakings. Persons who can obtain but a low rate of interest for their money, are often induced to engage in speculations which promise to yield a more profitable return. All seasons of speculation have been preceded by a low rate of interest.

In the year 1818, a select committee of the House of Commons was appointed to consider of the effects of the laws which regulate or restrain the interest of money, and to report their opinion thereupon to the house. After examining twenty-one witnesses upon the subject, the committee delivered the following report: —

"1. *Resolved*,—That it is the opinion of this committee, that the laws regulating or restraining the rate of interest have been extensively evaded, and have failed of the effect of imposing a maximum on such rate; and that of late years, from the constant excess of the market rate of interest above the rate limited by law, they have added to the expense incurred by borrowers on real security; and that such borrowers have been compelled to resort to the mode of granting annuities on lives,— a mode which has been made a cover for obtaining higher interest than the rate limited by law, and has further subjected the borrowers to enormous charges, or forced them to make very disadvantageous sales of their estates.

"2. *Resolved*,—That it is the opinion of this committee, that the construction of such laws, as applicable to the transactions of commerce as at present carried on, have been attended with much uncertainty as to the legality of many transactions of frequent occurrence; and consequently been productive of much embarrassment and litigation.

"3. *Resolved*,—That it is the opinion of this committee, that the present period, when the market rate of interest is below the legal rate, affords an opportunity peculiarly proper for the repeal of the said laws."

In the Bill passed in 1833 for the renewal of the charter of the Bank of England, a clause was introduced which exempted bills, not having more than three months to run, from the operation of the laws against usury.

There are some cases in which bankers receive more than the legal interest without being chargeable with usury. First, In discounting bills they always charge five per cent. interest upon the whole amount of the bill instead of the amount which they advance. Were the bills drawn twelve months after date, this would make $5\frac{1}{4}$ per cent.; but it is not usury. If, however, it be not a commercial bill, nor discounted in the course of trade, this way of charging discount

might be deemed usurious. Secondly, Bankers and others may, besides the interest, charge a certain sum for commission or brokerage on the bills they discount. This additional sum is understood to be only a reasonable charge for the trouble of getting the bills discounted, and hence it is not usury. Thirdly, A banker may discount for a party, and agree that a certain portion of the sum advanced should be left in his hands: but this portion must not be larger than would be sufficient to give the banker a reasonable remuneration for the expense and trouble of conducting his customer's account. Fourthly, When bankers are in the habit of balancing their books quarterly or half-yearly, they may debit their customers' over-drawn accounts for interest due at each of their periodical balancings: and although the banker thus obtains interest upon interest, he is not chargeable with usury. Fifthly, In the case of foreign bills, that are not paid when due, a banker may lawfully charge the rate of interest which is legal in the country where the party resides. Thus six per cent. interest may be charged upon a bill that is returned protested to Ireland: and "a bill payable in India, and returned to England protested for non-payment, may lawfully bear twelve per cent., the interest allowed in India. But if an action were brought upon such bill in England, and the plaintiff should have judgment in his favour, he would be allowed Indian interest to the signing of the judgment, and afterwards being considered principal he would only be entitled to the English rate or five per cent. from the liquidation of the debt by the judgment."*

VI. *Effect of Discount on the Circulation.*—The discounting of bills, by banks of circulation, will have the same effect in changing the currency as the deposit accounts, but will not operate so rapidly.

* See Kelly's Summary of the History and Law of Usury.

When a bill is discounted, the banker issues his own notes to that amount; and when the bill is paid, he receives a part of the amount in gold, silver, or in notes of other banks. If, however, the bill be not a local bill, that is, if it be not payable in the place in which the bank is established, it will be paid in the currency of the place where it is made payable, and its payment will not have the effect of diminishing the local currency.

While the issue of notes upon the deposit accounts depends altogether upon the depositors, the issues in the way of discount depend altogether upon the banker; he may discount or not discount, as he pleases. If he discounts with real capital, he does not thereby increase the amount of the currency; for that capital must, in some way or other, have been previously employed. If he discounts with that portion of his banking capital which is raised by deposits, he does not increase the amount of the currency, but gives it increased rapidity. If he discounts with that portion of his banking capital which is raised by notes, he increases the amount of the currency. As banks of circulation always issue their own notes, it would seem that their discounting business was carried on exclusively with this last description of capital, but it is not so. It is very possible for a banker to issue his own notes for all the bills he discounts, and yet nine-tenths of the bills in his possession shall represent real capital: for although in the first instance the banker's notes are given for the bill, yet these notes may not stay in circulation until the bill becomes due; the bill may have three months to run, the notes may return in three days. If the notes given in exchange for the bills remain in circulation until the bills become due, then do the discounts create a banking capital equal to their own amount: but if the bills have three months to run, and the notes remain out only one

month, then they create a capital to only one-third of their amount, and the other two-thirds must consist of capital derived from other sources. If the notes remain out beyond the time the bills fall due, then do the discounts create a banking capital beyond their own amount.

It may be observed, that in order to trace the effects of banking, it is necessary to mark particularly the way in which bankers employ their money. It is not the creation of a banking capital, but the way in which that capital is applied, that the greatest effects are produced upon the currency, and upon the trade and commerce of a country. Money employed in discounting bills, drawn for value, will encourage trade — if employed in discounting accommodation bills, it will promote speculation — if advanced as dead loans to persons out of trade, it may lead to extravagance — if invested in the funds, it will raise their price and reduce the market rate of interest — if kept in the till, it will yield no profit to the banker, and be of no advantage to the community.

The following is an Account of the annual average amount of commercial paper under discount at the bank of England in London, in each year from the year 1795 : —

Years.	Amount under Discount.	Years	Amount under Discount	Years.	Amount under Discount.
	£		£		£
1795	2,946,500	1808	12,950,100	1821	2,676,700
1796	3,505,000	1809	15,475,700	1822	3,366,700
1797	5,350,000	1810	20,070,600	1823	3,123,800
1798	4,490,600	1811	14,355,400	1824	2,369,800
1799	5,403,900	1812	14,291,600	1825	4,941,500
1800	6,401,900	1813	12,330,200	1826	4,908,300
1801	7,905,100	1814	13,285,800	1827	1,240,400
1802	7,523,300	1815	14,947,100	1828	1,167,400
1803	10,747,600	1816	11,416,400	1829	2,250,700
1804	9,982,400	1817	3,960,600	1830	919,900
1805	11,366,500	1818	4,325,200	1831	1,533,600
1806	12,380,100	1819	6,515,000	—	—
1807	13,484,600	1820	3,883,600	—	—

The annual average loss by bad debts on the discounts of the bank in London, from the year 1795 to 1831, both inclusive, is 31,696*l.*, which is less than 8*s.* 6*d.* per cent. upon the yearly average amount of bills under discount. Supposing the bills, one with another, to have two months to run, the loss will be about 1*s.* 5*d.* per cent. upon the amount of bills discounted.

SECTION XII.

CASH CREDIT BANKS.

A CASH credit, is an understanding on the part of the bank, to advance to an individual such sums of money as he may from time to time require, not exceeding in the whole a certain definite amount; the individual to whom the credit is given entering into a bond, with securities, generally two in number, for the repayment, on demand, of the sums actually advanced, with interest upon each issue from the day upon which it is made.

A cash credit is, in fact, the same thing as an overdrawn current account, except that in a current account the party overdraws on his own individual security, and in the cash credit he finds two securities who are responsible for him. Another difference is, that a person cannot overdraw his current account without asking permission each time from the bank, whereas the overdrawing of a cash credit account is a regular matter of business; it is, in fact, the purpose for which the cash credit has been granted.

The following considerations will show that a person who has occasion for temporary advances of money, will find it more advantageous to raise these sums by a cash credit than by having bills discounted.

First. In a cash credit the party pays interest only for the money he actually employs.

If a person wants to make use of 100*l.* and has a bill for 150*l.* he will get the bill discounted, and thus pays interest for 50*l.* for which he has no use. But if he has a cash credit, he draws only 100*l.* and pays interest for that amount.

Secondly. In a cash credit he can repay any part of the sum drawn whenever he pleases.

If a trader has a bill for 150*l.* discounted to-day, and should unexpectedly receive 150*l.* to-morrow, he cannot re-discount the bill, but has actually paid interest for money he does not want. But if he draws 150*l.* upon his cash credit account to-day, and to-morrow receives 150*l.*, he takes this money to the bank, and will have to pay the interest upon 150*l.* for only one day.

Thirdly. In a cash credit he has the power of drawing, whenever he pleases, to the full amount of his credit; but in the case of discounting bills, he must make a fresh application to the bank to discount each bill, and if the bank have at any time more profitable ways of employing their money, or if they suspect the credit of the applicant, they may refuse to discount; but this would not be the case if he had a cash credit.

Fourthly. In a cash credit the party does not pay the interest until the end of the year; whereas in the other case he pays the interest at the time the bill is discounted.

Cash credits are granted not only upon personal security, but also upon the security of the Public Funds.

This furnishes great facilities of raising money to those who possess property which they are not disposed to sell. A person who is a holder of government stock may sell out a portion to supply his temporary necessities; and when he wishes to replace it,

he finds the price of stock has risen, and it will cost him more money to repurchase than he received when he sold. But if he transfers the stock to a bank as a security for a cash credit, he may repay the money whenever he pleases; and if, in the mean time, the value of the security should have risen, all the advantages will be his own.

The effects of cash credits are thus described by Adam Smith:—

"The commerce of Scotland, which at present is not very great, was still more inconsiderable when the two first banking companies were established, and those companies would have had but little trade had they confined their business to the discounting of bills of exchange. They invented, therefore, another method of issuing their promissory notes, by granting what they called cash accounts, that is, by giving credit to the extent of a certain sum (two or three thousand pounds for example) to any individual who could procure two persons of undoubted credit and good landed estate to become surety for him, that whatever money should be advanced to him within the sum for which the credit had been given, should be repaid upon demand, together with the legal interest. Credits of this kind are, I believe, commonly granted by banks and bankers in all different parts of the world. But the easy terms upon which the Scotch banking companies accept of repayment are, so far as I know, peculiar to them, and have perhaps been the principal cause both of the great trade of those companies, and of the benefits which the country has received from it.

"Whoever has a credit of this kind with one of those companies, and borrows a thousand pounds upon it for example, may repay this sum piecemeal, by twenty and thirty pounds at a time, the company discounting a proportional part of the interest of the great sum, from the day on which each of those small sums is paid in, till the whole be in this manner repaid. All merchants, therefore, and almost all men of business, find it convenient to keep such cash accounts with them, and are thereby interested to promote the trade of those companies by readily receiving their notes in all payments, and by encouraging all those with whom they have any influence to do the same. The banks, when their customers apply to them for money, generally advance it to them on their own promissory notes. These the merchants pay away to the manufacturers for goods; the manufacturers to the farmers, for materials and provisions; the farmers to their landlords for rent; the landlords repay them to the merchants for the conveniences and luxuries with which they supply them; and the merchants again return them to the banks, in order to balance their cash ac-

counts, or to replace what they may have borrowed of them: and thus almost the whole money business of the country is transacted by means of them. Hence the great trade of those companies.

"By means of those cash accounts every merchant can, without imprudence, carry on a greater trade than he otherwise could do. If there are two merchants,—one in London, and the other in Edinburgh, who employ equal stocks in the same branch of trade, the Edinburgh merchant can, without imprudence, carry on a greater trade and give employment to a greater number of people than the London merchant. The London merchant must always keep by him a considerable sum of money, either in his own coffers or in those of his banker, who gives him no interest for it, in order to answer the demands continually coming upon him for payment of the goods he purchases upon credit. Let the ordinary amount of this sum be supposed five hundred pounds. The value of the goods in his warehouse must always be less by five hundred pounds, than it would have been had he not been obliged to keep such a sum unemployed. Let us suppose that he generally disposes of his whole stock upon hand, or of goods to the value of his whole stock upon hand, once in the year. By being obliged to keep so great a sum unemployed, he must sell in a year five hundred pounds worth less goods than he might otherwise have done. His annual profits must be less by all that he could have made by the sale of five hundred pounds worth more goods, and the number of people employed in preparing his goods for market must be less by all those that five hundred pounds more stock would have employed. The merchant in Edinburgh, on the other hand, keeps no money unemployed for answering such occasional demands. When they actually come upon him he satisfies them from his cash account with the bank, and gradually replaces the sum borrowed with the money or paper which comes in from the occasional sales of his goods. With the same stock, therefore, he can, without imprudence, have at all times in his warehouse, a larger quantity of goods than the London merchant, and can thereby both make a greater profit himself, and give constant employment to a greater number of industrious people who prepare those goods for the market. Hence, the great benefit which the country has derived from this trade.

*"The facility of discounting bills of exchange, it may be thought indeed gives the English merchants a convenience equivalent to the cash accounts of the Scotch merchants. But the Scotch merchants, it must be remembered, can discount their bills of exchange as easily as the English merchants, and have besides the additional convenience of their cash accounts."

Wealth of Nations, Book ii. chap. 2.

* For a further account of the system of cash credits,— see my Practical Treatise on Banking.

Query.—Is it better for a bank to make advances of money on cash credits, or by discounting bills of exchange?

Bills of Exchange versus *Cash Credits.*—1. Cash credits, when once granted, cannot be called up; but bills of exchange soon fall due, and you can refuse to discount again.

2. If you discount bills of exchange they can be re-discounted to supply the bank with funds, if necessary, but advances on cash credits cannot be replaced.

3. In case of a panic or a run upon the bank, the persons having cash credits might have occasion to draw upon the bank, and the notes would immediately be returned upon the bank, for payment in gold; but you could refuse to discount bills of exchange until the run was over.

Cash Credits versus *Bills of Exchange.*—1. A higher interest is charged upon cash credits than upon bills of exchange.

2. Cash credits, being of the nature of a permanent advance, are more beneficial to the parties; hence trade is more promoted, and the benefit to the bank must ultimately be greater.

3. Parties having cash credits are more closely connected with the bank, and hence, would use their influence to prevent any run upon the bank, and to promote the prosperity of the bank.

4. The mode of recovering an advance upon a cash credit is more summary and certain, as the bond can be put into execution immediately; but an action for the recovery of an unpaid bill is tedious, and may be frustrated by informality, &c.

A cash credit operates much in the same way as a discount account and a current account combined. It resembles a discount account inasmuch as the

banker is usually in advance to his customer. It resembles a current account, as it is required that there be frequent operations upon it; that is, that there be perpetual payings in and drawings out of money. The bankers expect that a cash credit shall maintain a banking capital equal to its own amount. As the banker is usually in advance, a cash credit can create no banking capital by means of deposits; it can be done only by means of the notes. If then the operations on a cash credit are sufficient to keep in circulation an amount of notes equal to the amount of the credit, then it gives satisfaction to the banker; but not otherwise. Previous to granting a cash credit, the banks always make inquiries to ascertain if this is likely to be the case; and even after it is granted, it is liable to be called up, if it has not accomplished this object. Hence, cash credits are denied to persons who have no means of circulating the banker's notes, or who wish to employ the money as a dead loan. And in all cases they are limited to such an amount as the party is supposed to be capable of employing with advantage to the bank.

SECTION XIII.

LOAN BANKS.

Loan banks, are banks formed for the purpose of advancing loans upon articles of merchandise. Some are carried on for the purposes of gain, others from motives of charity.

The Bank of England was empowered by its charter, to carry on the business of a loan bank. The following is the twenty-sixth section of the

Act: "Provided that nothing herein contained shall in any wise be construed to hinder the said corporation from dealing in bills of exchange, or in buying or selling bullion, gold or silver, or in selling any goods, wares, or merchandise whatever, which shall really and *bonâ fide be left or deposited with the said corporation for money lent or advanced thereon*, and which shall not be redeemed at the time agreed on, or within three months after, or from selling such goods as shall or may be the produce of lands purchased by said corporation.". In pursuance of the privilege granted by this clause, the directors gave public notice that they would lend money at four per cent., on "plate, lead, tin, copper, steel, and iron."

The Bank of Scotland was also authorised to act as a loan bank. The following is one clause of the Act by which it was established in 1795:—"And it is further hereby statute and ordained, that it shall be lawful for the said governor and company to lend, upon real or personal security, any sum or sums, and to receive annual rent for the same at six per cent., as shall be ordinary for the time: as also, that if the person borrowing, as said is, shall not make payment at the term agreed upon with the company, that it shall be lawful for the governor and company to *sell and dispose of the security or pledge by a public roup*, for the most that can be got, for payment to them of the principal, annual rents, and reasonable charges, and returning the overplus to the person who gave the said security or pledge."

The Royal Bank of Scotland were also empowered by their charter, "to lend to any person or persons, bodies politic or corporate, such sum and sums of money as they should think fit, at any interest not exceeding lawful interest, on real or personal security, *and particularly on pledges of any kind whatsoever, of any goods, wares, merchandises, or other*

effects whatsoever, in such way and manner as to the said company should seem proper and convenient."

"The Hibernian Joint-Stock Loan Company," usually called, the Hibernian Bank, was formed in Dublin in 1824: — "For the purpose of purchasing and selling annuities, and all public and other securities, real and personal, in Ireland, and to advance money and make loans thereof, on the security of such real and personal security, at legal interest, and on the security of merchandise and manufactured goods." This company, however, has never carried on the business of a loan bank, but has confined its transactions to the business of a commercial bank. It has not the power of issuing notes, but it is a bank of discount and of deposit.

In the same year a society was formed in London, called "The Equitable Loan Bank;" but, failing to obtain an act of parliament, they never came into operation. Thus a company that might have been useful to the public, was crushed at its commencement through the pernicious absurdities in our law of partnership.

Capital advanced, by way of loan, on the security of merchandise, would produce the same effects as if advanced in the discounting of bills. If a party borrows 100*l*. on the security of his merchandise, it is the same as though he had sold his merchandise for a 100*l*. bill, and got it discounted with the banker. By obtaining this advance he is enabled to hold over this merchandise for a better market, and avoids a sacrifice which otherwise he might be induced to make, in order to raise the money for urgent purposes.

Every advance of money by a banker, let it be made in what way soever, is in fact a loan. To discount a 100*l*. bill that has three months to run, is much the same as to lend that amount for three months. The difference is, that the banker has two

or more securities instead of one; the time of repayment is fixed, and the interest on the whole sum is paid at the time it is advanced. But let one trader draw bills upon his customers, and take them to the bank for discount; let another trader give his customers three months' credit without drawing bills, and borrow of the banker the amount of the goods sold; it is obvious that in each case the traders receive the same accommodation, and the effect on commerce will be the same. The bill is merely a transfer of the debt from the drawer to the banker, with the drawer's guarantee. Cash credits are loans; the amount of the loan varies every day, but the maximum is fixed. If a trader who has a cash credit for 500*l.* has always 300*l.* drawn out, it is nearly the same thing as though he had a loan for 300*l.*: the advantage to him is, that he can draw exactly such a sum as he may need—that he can replace it whenever he pleases, and in such portions as he may find convenient; and he pays interest only for the sum drawn out. It is unnecessary to say that over-drawn accounts, mortgages, and all advances of money on pledges or securities of any kind, are loans.

It is contrary to all sound principles of banking for a banker to advance money in the form of permanent loans, or as they are called, dead loans. In the first place, those dead loans do not create any banking capital; and, secondly, they cannot be suddenly called up. For a banker to lend out his banking capital in the way of permanent loan is obviously imprudent, as he knows not how soon that capital may be taken out of his hands; and it is almost equally imprudent to advance his real capital in that way, as the real capital ought to be kept in a disposable form, so that it may be rendered available in case of any sudden contraction of the banking capital. The investing of money in the public funds is not strictly an operation of banking; it does not

increase the banking capital. Yet it is necessary that a banker should lay out some portion of his capital in this way, because he can so easily realize the money in case a run should be made upon his bank. The portion thus invested is probably less productive than any other part of his capital, except the sums kept in his till to meet occasional demands. Sometimes, however, a rise in the funds will be the means of affording him a considerable profit.

The second class of loan-banks arose from motives of charity: —

These institutions were first established in the fifteenth century, for the purpose of checking the extortions of usurers, by lending money to the poor upon pledges, and without charging interest.* They were originally supported by voluntary contributions; but as these were found insufficient to support the necessary expenses, it became necessary that the borrowers should be charged interest for the loans. These banks were at first distinguished by being called *montes pietates*. It appears that the word mont or mount, was at an early period applied to any pecuniary fund, and it is probable that the promoters of this system added "pietatis" to give it an air of religion, and thus to procure larger subscriptions. A bank of this kind is formed at Perugia in the year 1464; another at Rome in 1539; one at Naples, which was considered the greatest in Europe, in the following year, and it took the name of *banco die poverie* — the bank of the poor. These institutions were opposed in France. An attempt was made to introduce them under Louis XIII. in 1626, but the managers were threatened with punishment, and the undertaking was relinquished. The present Mont de Pieté, at Paris, was established in the year 1777; and so largely has the public taken advantage

* See Beckmann's History of Ancient Institutions.

of the accommodation thus afforded, that it has been known to have in its possession forty casks filled with gold watches.

These banks were not only called Mounts of Piety, but they are also called Lombards, from the name of the original bankers, or money lenders. A loan bank, or a Lombard, was established in Russia in 1772 *, to prevent the usury and the oppression to which the poor were exposed, and the profit was given to the foundling hospital of St. Petersburg. The "Lombard" lent on gold and silver three fourths of the value, and on other metals it lent one half the value, and on jewels as much as the circumstances of the times would allow, the estimate being made by sworn appraisers. The rate of interest was established throughout the empire in 1786, at five per cent. At the Lombard, one year's interest, is taken in advance. Pledges that are forfeited are publicly sold; and if they produce more than the loan, the interest and the charges, the overplus is given to the owners.

In 1695, Sir Francis Brewster published his Essay on Trade and Navigation, "printed for T. Cockerell, at the Three Legs, in the Poultry, over against the Stocks-market." † He has a section upon "Banks and Lumbers." He recommends that in every shire a bank should be erected by act of parliament; and he states that it would be "the most effectual way for suppressing highwaymen; for that no man need travel with more than pocket money for his expenses, when he may have bank tickets to any part of the

* Oddy, on European Commerce.

† "Stocks-market," so called from the public stocks being placed there for the punishment of offenders, was held on the site of the present Mansion-house: previous to the building of the Mansion-house the market was removed to the Fleet Ditch, and called the Fleet Market; it has been again removed, and is now called Farringdon Market.

kingdom where he goes." He afterwards observes, "that lumbers for poor artizans and others is an appendix to banks, and may by funds out of them in each county be supplied so as that the poor men have money to carry on their trade and employment on the pawns that may be so easy, and with the advantage of selling in public sales what they leave in pledge. And that what they borrow should be of more advantage and easy to them than if the money were lent them gratis, and may be of great use in the employment and encouraging the manufactures of the nation, which are much discouraged by the necessities and hardships that are put upon the poor."

Loan banks, for charitable purposes, have, for a considerable time past, existed in Ireland. A voluntary association of this kind was established in the year 1756. This society was incorporated in 1780, under the title of "Charitable Musical Society." They had their meetings at St. Ann's vestry-room, Dublin, on the first and second Tuesday in every month, for the purpose of lending money, interest free, to indigent tradesmen, in sums of not less than two pounds to any one person at one time, which sums are to be repaid at sixpence in the pound, weekly. From the 1st of Dec. 1830, to the 1st of Dec. 1831, sixty-nine borrowers, whose families consisted of 366 individuals, received loans amounting to 258*l.*; and since its establishment in 1780, 4975 borrowers, whose families consisted of 24,494 individuals, received loans amounting to 18,983*l.*

The Meath charitable loan society was established in 1807. The committee of managers meet every second Tuesday, for the purpose of lending sums, not under five, and not exceeding twenty pounds, free of interest, to be repaid by weekly instalments of 1*s.* 6*d.* for 5*l.*, 3*s.* for 10*l.*, 6*s.* for 20*l.* Donations of 10*l.* and upwards are either vested in government securities, the interest only to be appli-

cable to the fund, or thrown into the floating capital, at the option of the donor.

In the year 1823, an act of parliament was passed for the amendment of the laws respecting loan societies in Ireland.

This act authorises the formation of societies for granting charitable loans, or for providing implements of labour by way of loan for the industrious classes in Ireland, or for providing implements of labour and receiving back payments of the same by instalments. A copy of the rules of such institutions must be entered in a book, and deposited with the clerk of the peace. The rules and regulations thus deposited shall be binding upon all the officers and members of the institution. The officers are not to receive any benefit except such salaries as shall be appointed by the regulations. No treasurer, director, or manager of the institution can receive any salary, allowance, profit, or benefit whatsoever. No loan to any individual can exceed the sum of 10*l.* in twelve months. But loans of 100*l.* may be made to committees, consisting of three or more persons, to be paid in twelve months, with interest. No note or other security for the repayment of any loan, or for the payment of the price of any implements of industry, is chargeable with stamp duty. The notes may be made payable to the treasurer or clerk of the society, and may be sued for in his name, before the assistant barrister at quarter sessions, or before the justices at petty sessions, provided such notes do not exceed the value of 10*l.* Any treasurer or other officer who is required by the regulations to give security, may give such security by bond to the clerk of the peace, who in case of forfeiture may recover the amount, for the benefit of the institution. Such bond is not to be chargeable with stamp duty. All looms or other

Geo. IV. c. 32.

implements of industry, furnished by the society, must be marked, and they cannot then be distrained for rent, nor seized under an execution by the sheriff, unless at the suit of the society.

The following extracts from Mr. Trench's valuable and useful pamphlet*, will show the principles on which loan societies are conducted in Ireland.

"A parent is often prevented from apprenticing a child to an advantageous trade from the want of assistance towards the requisite premium and outfit.

"In the repairs of dwelling-houses, and other similar instances, the poor often require to hire the labour of others, at a time when a small portion of such labour would save much ultimate expense, if they had the means of commanding it.

"The artizan frequently is compelled to remain idle from being unable to obtain the price of tools, and the raw materials of work, and is thus disabled from pursuing his branch of trade.

"Where any portion of land is held, the labourer frequently experiences much difficulty in obtaining seed for his ground, in purchasing a cow, pigs, or other profitable stock, and in effecting any improvement, or commencing operations on his small allotments.

"One member of a family becomes incapacitated from work by sickness or accident. To supply comforts and necessary relief much immediate expenditure is requisite, the funds for which cannot be obtained, notwithstanding the comparative certainty that if a small sum could be borrowed for such an excellent purpose, the other members of the family, or the sick man on his recovery, would repay the money by weekly instalments.

"Individuals of established good character are frequently placed in unavoidable difficulties of a momentary nature, through the fault of others, as well as from a sudden and unexpected failure in the demand for labour, or of markets for their provisions.

"Fishermen and boatmen are sometimes entirely precluded from earning their livelihood by the want of boats or nets, at seasons when they could derive great profit from the exercise of their calling.

"In all these instances, and numerous others which might be ascertained, the well-timed application of a small sum of money by way of loan will often improve a deserving man's condition, and

* "Remarks on the Advantages of Loan Funds for the Benefit of the Poor and Industrious, with Directions for their Establishment. By Francis Trench."

often rescue the unfortunate from plunging deeper in distress, without loss to any individual whatsoever. It must, however, be strictly remembered, that the plan recommended in these pages is not intended as a resource in the last extremity of want *merely as such*. By no means. Two other circumstances must be taken into consideration, or the object of the design will be entirely defeated; namely, good character on the part of the borrower, and a rational expectation of his being able to secure the means of weekly repayment by instalments.

"On application being made for a loan the first point will be to ascertain diligently the condition of the applicant, and the object on which the money is to be expended. None should be allowed to borrow who are not so circumstanced in pecuniary affairs as to render them fit objects of such assistance, the funds not being intended to advance the condition of those already well off, but to prevent persons falling into extreme distress, and to give facility for the exertion of industry. The same principle is to be held in view whether the money is applied altogether gratuitously, or whether a small interest is charged — gain for themselves in neither case being obtained or desired by the friends and supporters of the institution.

"Neither should loans be made to those whose object is *merely* to deal or sell again, without their being able to prove themselves under particular circumstances of destitution. Indifference to this point would encourage idle speculation, and deprive the unassisted trader of his fair profits.

"Nor should any one obtain assistance whose habits are marked by idleness, drunkenness, dishonesty, or any other notorious faults; for three reasons — first, because this way of expending the money would deprive the poor and industrious of that which was intended for their special use: — secondly, because it would defeat one of the chief objects of the fund, viz. the encouragement of good conduct: and thirdly, because the interest of the securities should not be overlooked, even though they may be regardless of it themselves, and none should obtain relief who very probably would become defaulters.

"Strict inquiries should also be made from the applicant as to his means of future weekly repayment — fair warning should be given against borrowing without these means, and the necessity of punctuality strongly enforced. It should also be fairly pointed out to him that he will lose character by any omission, and probably forfeit the friendship and goodwill of his security.

"Those who offer themselves as securities should be questioned as to their condition in life, cautioned against hastiness or over-confidence in the borrower, and imprest with the certainty of being called upon for repayment in case of any defalcation. A kind of organised and graduated division of charitable labour is thus maintained. The managers would have several hundreds to superintend,

while each security has but perhaps one, two, or three. Should the persons who offer themselves as securities appear in a solvent condition, ready to fulfil the agreement, even should it come against them, and able to pay the borrowed sum without distress or embarrassment, they may be received, and the requisite sum supplied to the borrower."

RULES.

"1. The loan fund is to be conducted by three managers, to be periodically chosen from and by the subscribers, who shall have the care of the fund for the space of months, and be answerable for all deficiencies during their management of which they cannot assign a just cause.

"2. No money to be lent without the borrower obtaining the security of a solvent person, who shall undertake to repay any sum that may remain unpaid at any time that the borrower passes over one single day, in which his weekly repayment should be made.

"3. All money to be repaid every , between the hours of and , at the rate of one shilling in the pound each time.

"4. No borrower to receive a second loan till the whole of his former loan shall have been repaid.

"5. The managers have the power of lending any sum they please not exceeding five pounds.

"6. In cases of non-payment on any , the managers are to apply to the security instantly, and enforce payment from him, if necessary."

It seems highly desirable that in England also charitable loan banks should be taken under the protection of the legislature. These institutions might be organised in the same manner as savings' banks. In most parts of England there are probably some persons of affluence, who would become personally bound for the repayment of such sums as the government might be disposed to advance; or, in other parts, the necessary funds might be raised by private donations. The funds might be employed in such a way as the committee might deem best adapted to promote the object of the institution. The loans might be made either in money, in raw produce, or in implements of labour. These might be recovered, if necessary, by summary process. The state would thus become the Bank of the Poor. It would sustain the same relation to the humbler classes which ordi-

nary banks sustain to the commercial classes. It would be an intermediate party between the borrowers and the lenders. It would borrow, by means of savings' banks, from those who had money to lend; and lend, by means of loan banks, to those who wished to borrow.

Since the above was written an act of parliament has passed "For the Establishment of Loan Societies in England and Wales, and to extend the provisions of Friendly Societies' Acts to the Isles of Guernsey, Jersey, and Man." (*5 & 6 William IV. c. 23. Aug. 21. 1835.*) By this act, persons forming themselves into loan societies, and desirous of having the benefit of the act, must cause their rules to be enrolled at quarter sessions in the same manner as the rules of friendly societies. The rules must be entered in a book, and kept by the officer of the society. The property of the society to be invested in trustees, and the treasurer to give security if required. No loan to any one individual at one time to exceed the sum of fifteen pounds. No note, security, receipt, or other document to be liable to the stamp duty. All notes or securities for the repayment of loans to be made payable to the treasurer or clerk for the time being of the society, who may summons the party seven days after demand before any justice of the peace, who may cause it to be levied by distress or sale, with a sum not exceeding ten shillings as costs. The society may receive interest at the rate of five per cent. *at the time of granting the loan*, without being subject to the penalties of usury.

Some societies have been formed under this act. One, called "The Friendly Loan Society," established at No. 50. Leicester Square, has recently made its first annual report. It contains much interesting matter that may be useful to those engaged in the formation of similar institutions.

First Report, read at a Special General Meeting held at the Office of the Society, No. 50. Leicester Square, 1st March, 1837.

This Special General Meeting of the subscribers and benefactors to the FRIENDLY LOAN SOCIETY has been summoned, principally for the purpose of revising the enrolled rules in some particulars, which experience has shown to require alteration.

The propriety of the changes which will be recommended was first discussed at a meeting of managers, by whom the rules were referred to a special committee, with instructions to revise them in conformity with certain resolutions which were then agreed to. The report of the committee was subsequently taken into consideration, and, with some alterations, was adopted by the managers.

The revised rules thus prepared will be read to this meeting.

The managers take this opportunity of giving a summary of the proceedings of the society since its establishment; and they have great pleasure in being able to report that the expectations of its friends and patrons have not been disappointed.

Wherever loan societies have been established hitherto, they have been in the highest degree beneficial; but, notwithstanding the concurrence of testimony in their favour, many persons, who were ready to admit their general utility, were doubtful of the success of such an institution in the metropolis, where its risks from fraud and misrepresentation may be supposed greater than in any other situation. Even the most sanguine among the supporters of the Friendly Loan Society were not entirely free from apprehension: they considered that its establishment must be viewed partly in the light of a new experiment, in which, while they expected success, they were not unmindful of the possibility of failure. It is therefore with peculiar satisfaction that the managers feel themselves justified in reporting their opinion, that London has not proved an exception to the general rule; and that, with a reasonable exercise of caution, and a steady adherence to a few simple principles, the system may be relied upon for producing the same beneficial results in the metropolis which have shown themselves elsewhere.

The transactions of the society during the first year have not been altogether without loss, but the comparative amount is small; and the managers believe that they may confidently refer even that small loss to causes which may be removed, and chiefly to the want of a sufficiently clear perception of the importance of those principles which it is the object of the revised rules to enforce. At first, it was difficult to convince those to whom the plan of such a society was new, that, notwithstanding its benevolent object, it ought to be conducted on different principles from those of eleemosynary societies, and that the utmost strictness in enforcing regularity in the repayments is essential to its character and prosperity.

The effects of the gradual conviction of all the managers on

this point, and the results of experience in the management, have shown themselves in the gratifying circumstance that the principal loss incurred has been on account of some of the earliest loans granted.

There are two principal alterations proposed in the rules: the first is one of great practical importance connected with the management. It is proposed to establish a board of directors, distinct from the managers by whom the weekly loans are granted: this board is to consist of the trustees, and of two of the managers. To the board so constituted will be confided exclusively the power of appointing and dismissing the officers of the society, and of regulating the details of their duties. The experience of the past year affords good ground for anticipating that the business of this society will soon be of great extent and importance, and the managers who dispense its funds will be placed in a situation of great trust and responsibility. It is believed that many persons well qualified for the discharge of these benevolent duties would hesitate to undertake them, unless their proper line of conduct should be distinctly traced out. By these means also a desirable uniformity will be secured in the system of the society's proceedings.

The other alteration relates to the securities taken for repayment of the loans. Much incovenience and some loss to the society have been caused by the form in which the promissory notes have hitherto been drawn, by means of which note alone payment can be enforced, in the manner prescribed by the act. The engagement which the sureties have hitherto required to sign bound them merely to the repayment of the arrears as they became due; and repeated legal proceedings became necessary, in bad cases, to recover one weekly instalment after another. It it proposed to remedy this error in the form of note, which will be adopted in future.

The accounts have been audited to the end of the year, and an abstract will be laid before the meeting. As soon as the managers determined upon recommending a revision of the rules, the grants of loans were suspended, in order that they might be recommenced under the improved system: accordingly, none have been issued since the commencement of this year.

The total number of loans granted from the first establishment of the Society in January, 1836, is 798, making together a sum of 5600*l.*; showing an average amount of 7*l.* 0*s.* 4¼*d.* for each loan. By the plan of the society, this large sum has been put in circulation by means of a capital of only 1895*l.* The arrear still unpaid, out of 414 expired loans, is only 77*l.* 11*s.*, which is due upon sixteen loans, originally granted for 126*l.* Of this sum of 77*l.* 11*s.* the sum of 32*l.* 9*s.* is due on six loans, granted in January and February, 1836, for 47*l.* This leaves 25*l.* 2*s.* due on ten loans, granted in the four following months, for 79*l.*

The loans of the past year have been granted in the following amounts: —

5	of £1		£5	56	of £7		£392
29	— 2		58	49	— 8		392
39	— 3		117	41	— 9		369
31	— 4		124	183	— 10		1830
282	— 5		1410	3	— 12		36
37	— 6		222	43	— 15		645
				798	—averaging £7 0s. 4½d.	—	£5600

The loans granted in each month are shown in the following table: —

	No.	Amount.		No.	Amount.
January	32	£287	July	96	£695
February	80	572	August	61	420
March	43	292	September	69	467
April	52	335	October	74	524
May	68	449	November	56	427
June	74	517	December	93	615

The following table contains a classification of the borrowers according to their trades and occupations: —

Trade.	No.	Trade.	No.
Bakers	8	Lodging House Keepers	13
Beadles and Policemen	5	Masons	3
Booksellers and Stationers	35	Messengers and Porters	15
Bricklayers	15	Milkmen	7
Brokers	11	Musical Instrument Makers	6
Brushmakers	7	Nurses	6
Butchers	20	Painters and Glaziers	15
Carpenters	40	Postmen	9
Carvers and Gilders	7	Printers	24
Cheesemongers	5	Saddlers and Harness Makers	4
China and Glass Dealers	4	Schoolkeepers	23
Clerks and Book-keepers	25	Servants	7
Coachmakers	8	Shoemakers	104
Corndealers	2	Shopkeepers (General)	9
Cutlers	3	Smiths	18
Dress and Bonnet Makers	44	Stablekeepers	5
Dyers and Scourers	6	Tailors	60
Eating House Keepers	10	Tea Dealers	14
Engravers	6	Tobacconists	7
Fishmongers	12	Trimming Makers	6
Gardeners	3	Trunkmakers	2
Greengrocers	31	Umbrella Makers	2
Gunmakers	3	Miscellaneous	48
Haberdashers	7	Not stated	14
Hairdressers	14		
Hatters	16	Total	798
Laundresses	15		

The following table contains an attempt at classification of the several purposes for which the loans have been wanted. Sufficient

strictness in requiring the precise object of the loan to be stated on the application has not been hitherto observed: this is a point that is considered of great importance, and will be more carefully attended to in future loans. It will be seen that many of these classes are exceedingly vague and general.

For what purpose wanted.	*No.*	*For what purpose wanted.*	*No.*
To assist in Business	246	To assist other Members of Family	27
To purchase Stock	168	To redeem Pledged Property	21
To pay Rent and Taxes	82	To purchase Tools	16
To pay Debts occasioned by Death or Sickness	39	To take Lease of Houses, &c.	14
To pay other Debts	36	To Apprentice Children	8
To purchase Furniture	38	Miscellaneous	23
To commence Business	38	No return	10
To purchase Clothing	32	Total	798

It deserves to be noticed that the smallest loans have been most regularly repaid. The number of loans of *5l.* and under has been 386, amounting to 1714*l.*; while the loans exceeding *5l.* have been 412, amounting to 3886*l.* Among the expired accounts is only one defaulter of the former class, which was a loan of 3*l.*, on which 2*l.* 5*s.* are still due, while of the latter class there are

2	loans of £6,	on which £6	12*s.*	are due;
4	—	7	—	16	3	—
3	—	8	—	19	0	—
1	—	9	—	8	11	—
5	—	10	—	25	0	—

Making a total of fifteen loans exceeding *5l.*, on which 75*l.* 6*s.* are due; showing more default in respect of loans above *5l.*, in the proportion of fourteen to one in an equal number of borrowers, and of little less than fifteen to one in an equal amount of money borrowed. Out of the 414 expired loans, 223 have never omitted a single weekly payment.

A question of great importance in considering the practical working of this system is, the proportion in which the loans have been repaid by the borrowers themselves, or by their sureties. It is by this comparison alone that it is possible to ascertain whether the borrowers have really profited by the money lent to them, or whether the society has been merely a circuitous channel, through which eleemosynary assistance has been afforded to them under the mere pretext of a loan. The result of this comparison is most satisfactory. It appears that the proportion of cases in which the sureties have been resorted to for payment is one in fourteen, and that the proportional amount which they have paid is only one in thirty. The idea of examining this proportion was suggested to the managers from documents in their possession showing the practice of a similar society in Hamburgh, which was established

in the year 1831. In that society, which is still in operation with continually increasing success, the proportional amount paid by the sureties was, in the first year, one in seven, and in the four following years diminished to one in thirteen, one in fifteen, and lastly one in seventeen. The managers of the Friendly Loan Society consider therefore that they may refer to the proportion of one in thirty, shown by their own transactions in the metropolis, as in a high degree encouraging, and honourable to the character of the borrowers.

The patrons and benefactors of the society are earnestly requested to make known its proceedings as widely as possible, and to endeavour to procure for it the support of their friends; in furtherance of which, copies of this report, and of the rules of the society, may be had for distribution, by applying at the Office of the Society, No. 50. Leicester Square.

SECTION XIV.

SAVINGS' BANKS.

SAVINGS' banks are banks formed to promote saving. —They are purely banks of deposit; they differ, however, from other banks of deposit, in the following particulars:—First, Very small sums are received as deposits.—Secondly, All the money deposited is lent, upon interest, to the government.—Thirdly, The depositors are restricted as to the amount of their lodgments; these restrictions are designed to exclude from the bank all except the humbler classes of the community.

Loan banks, or institutions for lending money to the poor, are of ancient date; but savings' banks, or institutions for borrowing money of the poor, are entirely of modern invention. They were first urged upon the attention of the public and the legislature of this country, in the years 1815 and 1816, by the late Right Hon. George Rose. In his pamphlet upon this subject, he thus traces the origin of these establishments:—

"The idea was first suggested by the Society for Bettering the Condition of the Poor, of which I have long been a member; and it has been acted upon in Edinburgh and Bath with such a degree of talent, zeal, and perseverance, as to manifest the great advantage of it.

"In other parts of Great Britain, however, the principle has been acted upon on a small scale, especially in Scotland, where the *parochial* institutions for savings are called Meneges: so full an account of these is given by Mr. Duncan, the early promoter of them, as to render it quite unnecessary to enter on any particulars respecting them here. But however well intended they are, there are strong objections to them. In any event, extended establishments are infinitely more to be desired, on account of the preferable management of them, as well as for the safe custody of the money. By a large district being included, gentlemen of property are found to become trustees and managers; and a fund is easily furnished by small voluntary subscriptions at first, and by the surplus of the interest allowed to the depositors afterwards, to meet all the expenses of the institution.

"Since the first publication of these observations, a controversy has arisen, by Mr. Duncan, the promoter of the parochial banks, insisting upon his having (by the establishment of the one at Ruthwell) been the first to bring the banks for savings into notice, in an address to Mr. Forbes, a gentleman of the highest respectability in Edinburgh, who was a zealous promoter of the banks there. — The truth is, that the two establishments are perfectly dissimilar, as above stated, which will appear more manifestly to whomsoever will take the trouble of reading the pamphlet of Mr. Duncan and the answer of Mr. Forbes to it. As far as respects Scotland, it would seem that the Edinburgh plan has the merit of priority, *for general advantage;* but it may be hoped that in future there may be no contention, except how the public can be most benefited — it is of very little importance from whence the suggestion originated."

Mr. Rose then proceeds to explain in detail the nature of these institutions, and points out the advantages they may be expected to confer upon different classes of the community: —

"Apprentices, on first coming out of their time, who now too frequently spend all their earnings, may be induced to lay by five shillings to ten shillings a week, and sometimes more, as in many trades they earn from twenty-four shillings to fifty and sixty shillings a week.

"The same observation applies, though somewhat less forcibly, to journeymen in most trades (whose earnings are very consider-

able) from not beginning so early, and to workmen in several branches. With respect to these it has been made evident to me, and to many members who attended the mendicity committee in a former session of parliament, that in numerous instances when the gains have been as large as above stated, the parties have been so improvident as to have nothing in hand for the support of themselves and families when visited with sickness, and have consequently with their families fallen immediately upon the parish. In some instances the tools and implements of their trade have been carried to the pawnbroker during illness, whereby difficulties were thrown in the way of their labour being resumed on the restoration of health.

"Domestic servants, whose wages are frequently more than sufficient for their necessary expenses.

"Carmen, porters, servants in lower conditions, and others may, very generally, be able to make small deposits, without finding the slightest inconvenience from the diminution of their income occasioned thereby.

"With respect to day labourers, the full advantage cannot be expected to be derived at first, as far as relates to married men with families; it too frequently happens that when there are two or three children, it is all that the father can do to support himself and those dependent upon him, with his utmost earnings; but the single man, whose wages are the same as those of his married fellow-labourers, may certainly spare a small weekly sum, by doing which he would, in a reasonable time, have saved enough to enable him to marry with a hope of never allowing any one belonging to him to become a burthen to the parish.

"Nothing is so likely as a plan of this sort to prevent early and improvident marriages, which are the cause, more than any others, of the heavy burthen of the poor rates. When a young single man shall acquire the habit of saving, he will be likely to go on till he shall get together as much as will enable him to make some provision towards the support of a family, before he thinks of marrying.

"The welfare of the lower classes of society cannot be a matter of indifference to any, nor can it be doubted that their situation will be ameliorated by the adoption and promotion of these banks. The industry, sobriety, and economy, among the lower orders of the people, will thus be promoted by their being encouraged to make little savings for a provision against want and distress; and their moral improvement will be advanced, while their social comfort is augmented. By the plan which I here recommend, this beneficent and most important object will be obtained at no expense to the higher orders, or at so trifling a one as to be utterly unworthy of notice.

"This plan has in it the germ of valuable moral principle; and if it can be fairly brought into action will tend more than any thing to lessen the enormous and increasing burthen on the middle and

higher classes, and at the same time to infuse into the minds of the lower order a legitimate spirit of independence. Its merits are so well expressed where its advantages were early experienced, that I cannot do so well as to quote a few words from one of the Edinburgh reports — 'It secures independence without inducing pride; it removes those painful misgivings which render the approaches of poverty so appalling, and often paralyse the exertions that might ward off the blow. It leads to temperance and the restraint of all disorderly passions, which a wasteful expenditure of money nourishes. It produces that sobriety of mind and steadiness of conduct which afford the best foundation for the domestic virtues in humble life. The effects of such an institution as this upon the character of the people, *were it to become universal, would be almost inappreciable.*'"

In the year 1817, Mr. Rose obtained an act of parliament, entitled "An Act to Encourage the Establishment of Banks for Savings in England."* This act authorises the formation of savings' banks, under the following regulations:—Rules of the institution to be entered in a book, and a copy deposited with the clerk of the peace. These rules are to be binding on the members and officers of such institution. Officers not to have any benefit in the institution. Savings of minors may be invested, and on repayment the receipt of a minor shall be a sufficient discharge. *Friendly societies may subscribe any portion of their funds into the funds of a saving bank.* Treasurers, &c. to give security, if required by the general rules. Effects of institution to be vested in trustees for the time being, without fresh assignment, except as regards the transfer of stocks and securities in the public funds of Great Britain. The trustees may bring and defend actions, criminal as well as civil, either in law or in equity. Money not to be placed out on personal security. Bank of England, on receiving 50*l.* from savings' bank, on account of the commissioners for the reduction of the national debt, to open an account called "The Fund for the Banks for Savings." Previous to such payments an order

* 57 Geo. III. c. 130.

shall be produced, and a certificate granted; afterwards the commissioners for the national debt shall issue debentures in favour of such savings' banks, bearing interest *at threepence per cent. per diem.* Trustees may demand payment of the principal and interest secured by debenture, any day except the 5th of April. New debentures may be granted instead of the previous ones, if the trustees so require. Moneys paid in on savings' bank account to be invested in bank annuities. Debentures not transferable not liable to stamp duty, and may be renewed if lost. If a debenture be obtained on a false declaration, the money shall be forfeited. Accounts of all moneys received by the commissioners for the national debt from the trustees of institution, to be laid before parliament. *No one person shall deposit in a savings' bank more than one hundred pounds the first year, and fifty pounds in each subsequent year.* Trustees and treasurers to account and deliver up effects when required. Members of friendly societies not liable to forfeiture by subscribing to any institution under this act. When property is under the value of fifty pounds, no stamp duty to be paid in cases of administration. When the effects of a person dying intestate *shall be under twenty pounds*, the same may be divided according to the rules of the institution in such case made and provided; and if there be no such rules, the money to be divided according to the Statute of Distributions. Payments under probates of wills, or letters of administration afterwards repealed, shall be valid. Powers of attorney given by trustees or depositors not liable to stamp duty. Where rules direct an arbitration, the award to be final.

About the same time an act was passed, entitled "An Act to Encourage the Establishment of Banks for Savings *in Ireland;*" the provisions of which were similar to the preceding.

In the year 1818, an act was passed to amend the first of the preceding acts. The amendments refer chiefly to the mode of issuing the debentures. It is also enacted that anonymous depositors shall not place more than ten pounds in a bank in each year. Justices at sessions may reject any rules of the institutions sent to the clerk of the peace. No arbitration or other bond to be liable to stamp duty.

In the year 1820, an act* was made to amend the two former acts. The provisions of this act had a reference chiefly to the regulation of the debentures, and the mode of keeping the accounts between the trustees and the commissioners.

In the session of 1824, an act was obtained to amend all the former acts. Among other enactments are the following:— No application of any surplus funds of any savings' banks in England or Ireland shall be made until *after ten years* from the commencement of the institution, and an interval of ten years must elapse between each subsequent distribution. One half of such surplus shall be always reserved to answer deficiencies, and thirty days' notice shall be given of such distribution. *No anonymous subscriptions permitted in future. Deposits of any one depositor shall not exceed 50l. in the first year, after Nov. 20. 1824; nor 30l. in any year afterwards, nor beyond 200l. in the whole.* Depositors having made their full deposit in any year, may withdraw the sums and again subscribe to the same amount. Persons (not being depositors) allowed to subscribe as trustees on behalf of others. The provisions of former acts, authorising *friendly and charitable societies* to subscribe their funds into savings' banks, *are now repealed. Subscribers to one savings' bank shall not subscribe to any other*, and a declaration to this effect must be made by the depositor at the time

* 1 Geo. IV. c. 83.

of subscription. If this declaration should not be true, the money in each bank is to be forfeited to the commissioners for the reduction of the national debt. Deposits may be withdrawn from one savings' bank to be placed in another. Trustees of savings' banks shall invest all money in the Bank of England or Ireland only, and not in any other security. Depositors not to be restricted from withdrawing their money from savings banks. Every officer of savings' banks, who is entrusted with money and receives a salary, shall give security by a bond to the clerk of the peace. Savings banks shall make up annual accounts of their progress, stating the balance, and in whose hands, and transmit such accounts to the commissioners for the reduction of the national debt. If trustees of savings' banks neglect to deliver such account, or to obey orders of commissioners, commissioners may close their account. A duplicate of such account shall be affixed in the office of the savings' bank. Savings' banks shall compute interest to the 20th of May and 20th of November, half-yearly or yearly. Accounts shall be annually laid before parliament by the commissioners for the reduction of the national debt. Treasury may issue exchequer bills, on application of commissioners, for payments to savings' banks. Banks may make advances to the commissioners upon such exchequer bills. Draft drawn by trustees upon the commissioners for 5000*l.* or upwards, not to be paid until after twenty-one days.

In the session of 1828, an act was passed to consolidate and amend the laws relating to savings' banks.* The amendments comprise the following enactments: — Banks not to be formed unless approved by justices at sessions and the commissioners of national debt. The rules and regulations, before being deposited with the clerk of the peace, must be

* 9 Geo. IV. c. 92.

submitted to a barrister for the purpose of ascertaining whether they are in conformity to law. On payment of money into the bank to the account of national debt commissioners, their officer shall give a receipt for the same, carrying interest at *two-pence half-penny per cent. per diem.* The interest payable to the depositors is not to exceed *two-pence farthing per cent. per diem.* Charitable societies may invest sums not exceeding 100*l.* per annum, nor 300*l.* in the whole. Friendly societies, formed previous to the passing of this act, may subscribe any portion of their funds into a savings' bank; but societies formed subsequently, shall not deposit any more than the sum of 300*l.* Trustees are not to receive from any one depositor *more than 30l. in any one year, nor more than 150l. in the whole. When deposit and interest shall amount to 150l. no further deposit shall be received; and when the deposits and interest amount to 200l. the interest shall cease.* The surplus that may remain in any savings' bank, after paying the interest on the deposit and the current expenses, is to be paid every year to the commissioners for the reduction of the national debt. Where the effects of a person dying intestate shall *not exceed 50l.* the same may be divided according to the rules of the institution; and if there be no such rules, then according to the Statute of Distributions. When disputes arise, the subject to be referred to arbitrators; and in case of their not agreeing, to be settled by a barrister, whose award shall be final, without appeal. This act came into operation on Nov. 20. 1828.

In order to establish a savings' bank it will be necessary, in the first place, that the persons friendly to the undertaking meet together and appoint trustees. Some of the trustees should be gentlemen of known influence and respectability in the district: others should be persons likely to attend and take an active part in the management. The trustees should agree

to a code of laws, a copy of which should be transmitted to John Tidd Pratt, Esq., 4. Elm Court, Temple, for his approval. After being returned, with his certificate, that they contain nothing contrary to law, they must be sent to the clerk of the peace, to be enrolled at the next quarter sessions. The bank is then virtually formed, and the trustees may appoint a treasurer and a secretary, and proceed to receive deposits. The sums received must be remitted to the commissioners for the reduction of the national debt.

The constitution of a savings' bank will be easily known, from the rules of the Mary-le-bone bank for savings, held at 14. Henrietta-street, Cavendish-square.

RULES.

1. *Management.*—Pursuant to 9 Geo. IV. c. 92., this institution shall be under the direction and control of not less than twenty-six managers, exclusive of a patron, twenty trustees, and a treasurer, who shall be managers by virtue of their respective offices.

2. *No emoluments.*—No person being a manager or trustee, or a treasurer of this institution, or having any control in the management thereof, shall derive any benefit from any deposit made in the bank, or receive any emolument, allowance, or salary, profit, or benefit whatsoever, directly or indirectly, from the institution, beyond their actual expenses for the purposes of the institution.

3. *Securities.*—The treasurer, the secretary, and actuary or cashier, who shall be intrusted with the receipt or custody of the money of the institution, and every officer receiving any salary or allowance for his services, shall give such good and sufficient security to the clerk of the peace, for the just and faithful execution of such office or trust, as shall be approved of by not less than two trustees and three managers of this savings' bank.

4. *Liability of trustees or managers.*—No trustee or manager shall be personally liable, except for his own acts and deeds; nor for any thing done by him in virtue of his office, except in cases where he shall be guilty of wilful neglect or default.

5. *Meetings of managers and trustees.*—The trustees and managers shall meet at such times as they shall decide upon at any future meeting; and adjourn from time to time as they may think proper; notice of such adjourned meeting being given.

6. *Annual general meetings.*—An annual general meeting of the patron, trustees, and managers, shall be held *on the second Tuesday in the month of February* in every year; and a special general meeting may be called at any time, on requisition, specifying the

object of the meeting, from any three trustees, or any ten managers, delivered in writing, either to the manager in attendance at the bank, or to the secretary: of which meeting not less than seven days' notice shall be given.

7. *Regulation of meetings.* — In all meetings for transacting the business of this institution, any three managers or trustees, duly assembled, shall constitute a quorum, and be fully competent to transact such business: but no proceedings shall be valid or have force, unless entered, together with the names of the managers and trustees present, in a book to be kept for this purpose, and signed by the chairman of the meeting.

8. *Attendance and secretary.*—One or more of the managers, with the secretary and actuary, shall attend for the purpose of receiving and repaying deposits at the savings' bank once in every week at least; and, in the absence of the secretary and actuary, he shall provide the attendance of a manager in his stead; and the institution will not be answerable for any deposits, unless such as are made at the times and places appointed by the trustees or managers, and made known by notice to be affixed upon the premises occupied for carrying on the business of the bank.

9. *Deposits and rate of interest.* — Deposits amounting to one shilling, or to any number of shillings not exceeding the sum prescribed by law, will be received, but they will not bear interest until they amount to five shillings. Interest at the rate of *three pounds eight shillings and five-pence one farthing* per cent. per annum will then be allowed and paid upon that sum, excluding fractions of a penny, and upon every additional sum of five shillings. It will be calculated by the month, from the twentieth day of every month to the twentieth day of the month next following; but no interest will be allowed for a less period than one month, nor upon any sum deposited which may be withdrawn within one month of being so deposited.

10. *Limitation of deposits.*—No person shall be allowed to deposit in any one year, ending on the 20th of November, more than thirty pounds, nor be allowed to make any further deposit when the sum which such depositor shall be entitled to shall exceed the sum of one hundred and fifty pounds in the whole; and whenever the sum or sums standing in the name of any one depositor shall amount to the sum of two hundred pounds, principal and interest included, no interest shall thenceforth be payable on any such deposit, so long as it shall continue to amount to the said sum of two hundred pounds.

11. *Compound interest.* — The interest payable on deposits will, at the conclusion of every year, ending on the 20th day of November, either be added to the principal, and will, from time to time, become principal, or will be paid to those applying for the same on the *first* and *following Monday* in the month of *December* in every year.

12. *Minors.* — Minors may deposit money in their own names, and withdraw the same, together with any interest that may accrue thereon.

13. *Married women.*—Any married woman may be paid any sum of money in respect of any deposit made by her without notice of her being married, unless the husband of such woman, or his representatives, shall give to the trustees notice, in writing, of his marriage, and shall require payment to be made to him or them.

14. *Charitable funds.*—The trustees or treasurers of any charitable society or charitable donation, or bequest for the maintenance, education, or benefit of the poor, may deposit any part of their funds into this institution, to the amount of one hundred pounds per annum, provided such deposits shall not exceed the sum of three hundred pounds in the whole, exclusive of interest.

15. *Friendly societies.* — Friendly societies, legally established before the 28th day of July, 1828, may deposit in this bank the whole or any part of their funds; but no friendly society formed and enrolled after that day shall invest more than the sum of three hundred pounds, principal and interest included. Whenever such deposits and interest belonging to any such last-mentioned society, shall amount to or continue at the said sum of three hundred pounds or upwards, no interest on the same shall be paid.

16. *Members of friendly societies.* — Members of friendly or charitable societies making deposits on their own account, or as the trustees of others, shall not be considered as subject to any penalty or forfeiture declared in the rules of any such societies.

17. *No anonymous depositor.* — No person shall be allowed to make any deposit by ticket or number, without disclosing his or her name, together with his or her profession, business, occupation, calling, and residence, to the managers.

18. *Deposits by trustees.* — Deposits may be made by any person acting as trustee on behalf of another, notwithstanding such person is himself a depositor, subject to the same regulations as are required in the case of a depositor on his own account; and the receipt of such trustee, at the discretion of the managers, with or without the receipt of the person on whose account the sum may have been deposited, shall be a sufficient discharge.

19. *Depositor's signature.* — All deposits are required to be made at the proper office, and within the regular office hours; and every depositor, on making the first deposit, may be required to sign a book, containing the rules and regulations of the institution, and is to sign a declaration of his consent thereto, which signature shall be witnessed by a manager, by the secretary and actuary, or, in his absence, by an officer of the bank.

20. *Depositor's declaration.*—Every person desirous of becoming a depositor into this bank shall, at the time of making the first deposit, and at such other time as such persons shall be required so to do by the managers, sign, either by themselves, or in case of infants under the age of seven years, by some person to be ap-

proved by the managers, or such other persons as they shall appoint, a declaration that he or she is not entitled to any deposit in, or any benefit from, the funds of any other savings' bank whatever, nor to any sum or sums standing in the name or names of any other persons in the books of this savings' bank; and in case such declaration shall not be true, or if any depositor into this bank shall at any time have or hold, or be possessed of any deposit or funds in any other savings' bank, every such person will forfeit and lose all right and title to any deposit in this savings' bank, and the accounts of such person will be closed, and the amount so forfeited, together with all interest accrued thereon, will be paid over to the commissioners for the reduction of the national debt, agreeably to act of parliament in that case made.

21. *Deposit book.* — All deposits shall be entered in the books of the institution at the time when they are made, and the depositor shall receive a book with a correspondent copy of his or her account therein, which deposit account book must be produced at the bank, and signed by a manager, whenever any further sum is deposited or drawn out. And in case any depositor should lose this book, *immediate notice* thereof is to be given at the bank, when, upon a satisfactory explanation of the cause, and a payment of one shilling, a duplicate book will be furnished within fourteen days.

22. *Return and refusal of deposits.* — The managers shall be at liberty to return to any one, or all of the depositors, at any time, the whole amount of his, or her, or their deposits, upon giving him, her, or them one month's notice of their intention so to do, such notice being previously approved at a board of managers and trustees; such notice to be signed by two managers, and the interest due to such depositor or depositor to be calculated, according to the rules of this institution, up to the expiration of the notice, beyond which time no interest will be allowed. The managers shall also be at liberty to refuse any deposit which may be offered.

23. *Withdrawing deposits.* — Depositors being desirous of withdrawing their deposits, or any part thereof, must give notice of their intentions on some one day in every week, appointed by the managers for that purpose; of which day, so appointed, notice shall from time to time be affixed upon some conspicuous part of the premises where the business of the bank is conducted; and the sum applied for will be paid at such meeting for the repayment of deposits within fifteen days from such notice, as may be appointed by the managers, together with the interest, if any be due thereon, up to the period of such notice being given, unless the managers present at the meeting when such deposits shall be applied for shall think proper then to repay the same; but if not applied for at such meeting for repayment, a fresh notice will be required before the payment can be made. Such payments can only be made to the depositor personally, and on his or her receipt, except under power of attorney.

24. *Power of attorney.* — Money deposited in this bank can be repaid only to the depositor personally, or to the bearer of a power of attorney, under his or her hand, signed by the depositor, and witnessed by a manager or officer of this bank, or by the minister, or one of the churchwardens of the parish wherein the depositor resides, according to a form, which shall not be subject to any stamp, and may be obtained by applying at this bank, during the hours of business.

25. *Withdrawing and re-depositing.* — Depositors may withdraw any sum or sums of money out of this savings' bank, and re-deposit therein any sum or sums of money, at any time or times appointed for receiving deposits within any one year ending the 20th day of November; provided such sum or sums re-deposited, and any previous deposit or deposits which shall have been made in the course of the year, taken together, shall not exceed at any one time in such year the sum of thirty pounds additional principal money, or one hundred and fifty pounds in the whole.

26. *Transfer of deposits.* — Any depositor in this savings' bank changing his or her place of residence, may withdraw the whole amount of his or her deposit and interest thereon (but not in parts or shares), for the purpose of investing the same in any other savings' bank; and the managers will grant to such person a certificate, stating the amount to be withdrawn for that purpose, which will be an authority for the savings' bank to which it is addressed to receive the sum therein stated from such person, agreeably to the act of parliament; and any depositor in any other savings' bank wishing to remove his or her deposit to this savings bank may do so in like manner, upon producing a certificate from the manager of such other savings' bank, agreeably to the form directed by the commissioners for the reduction of the national debt; provided that previous to such investment, a like declaration shall be made by the person applying to make such deposit as is required in other cases of making deposits, and such person shall be considered in all respects as an original subscriber, and shall be liable to all the rules and regulations of this savings' bank.

27. *Depositors unable to attend.* — Forms for signature may be had at the bank, enabling persons who are unable to attend to become depositors; and those persons who are already depositors may send additional sums to be deposited by any other person on their behalf, together with their deposit book.

28. *Depositors becoming insane or otherwise incapacitated to act.*— In case any depositor in this institution shall become insane, or otherwise incapacitated to act, whether from illness or other cause; and if the same shall be proved to the satisfaction of the managers, at one of their meetings, by the certificate of a medical attendant in cases of insanity, or by the certificate of a medical attendant, or otherwise, in cases of illness or other bodily infirmity; and if the managers shall be satisfied of the necessity of the case, they shall authorise the treasurer of this institution to pay weekly,

or otherwise, such sum, for the care, maintenance, and medical attendance of such depositor, as they shall think fair and reasonable; and they may also authorise the treasurer to make such other payments on account of such depositor as the urgency of the case may require; all which weekly or other payments shall be made out of the monies standing in the name of, or belonging to, such depositor, on the receipt of the parties to whom such payments shall be made.

29. *Deposits fraudulently withdrawn.*—The managers, and the secretary and actuary, will diligently endeavour to prevent fraud, and identify every depositor transacting business at this bank; but in case any person presenting a deposit book (*the depositor not having given previous notice to the bank of his book being lost or stolen*), and stating himself or herself to be the depositor named therein, shall unlawfully obtain any deposit or sum of money from any manager, or from the secretary and actuary of this savings' bank, they will not be responsible for the loss so sustained by any depositor, neither will they or this institution be liable to make good the same, provided that such payment has been entered in the book of the depositor at the time when made.

30. *Investment.*—All monies belonging to this institution shall be invested in the Bank of England, in the names of the commissioners for the reduction of the national debt, except such sums of money as from time to time shall necessarily remain in the hands of the treasurer, to answer the exigencies thereof.

31. *Probate of will for effects under fifty pounds exempt from stamp duty.*—In case any depositor shall die, leaving a sum of money in the funds of this institution, which, with the interest due thereon, shall exceed in the whole the sum of fifty pounds, the same shall not be paid to any other person or persons, as representative or representatives of such depositor, but upon production of the probate of the will of the deceased depositor, or letters of administration of his or her estate and effects. And in case the whole estate and effects of such depositor, for or in respect of which any probate or letters of administration shall be granted, shall not exceed the value of fifty pounds, a certificate of the amount and value of the share and interest which the deceased depositor had in the funds of this institution shall be given, under the hands of one manager, and countersigned by the secretary or other officer, by virtue of which certificate no stamp duty will be chargeable on such probate or letters of administration.

Form of Certificate.

"St. Mary-le-bone Bank for Savings.

"It is hereby certified, to all whom it may concern, that the whole of the deposits, together with all interest thereon, due to of in the county of from the funds of this institution, on the day of 18 amounted to the sum of

Witness our hands, this day of 18

32. *Administration bonds, where deceased depositor's whole estate and effects are under fifty pounds, exempt from stamp duty.*—In case the whole estate and effects of any depositor, for or in respect of which letters of administration shall be granted, shall not exceed the value of fifty pounds, no stamp duty is chargeable upon the bond required to be given by the administrator for the due administration of the effects of such deceased depositor, nor upon any affidavit or document leading to or connected with such administration; but every such bond and affidavit are, by act of parliament, exempt from stamp duty.

33. *Payments under fifty pounds, in case of death and non-administration.*—In case any depositor shall die, leaving a sum of money in the funds of this institution, which, with the interest due thereon, shall not exceed in the whole the sum of fifty pounds, it shall be lawful for the managers, if they shall be satisfied that no will has been made and left by such deceased depositor, and that no letters of administration will be taken out of the goods and chattels of such depositor, to pay the same to such person or persons as shall appear to the managers to be the lawful representative of the deceased; provided that the claim be made within two years from the death of the depositor.

34. *Auditors.*—The accounts shall be examined from time to time by such person or persons as the board of managers may at any of their meetings appoint; and at the annual general meeting a report, containing a statement of the accounts, shall be submitted, with the observations of the managers thereon, if any occur to them.

35. *Annual statement.*—A duplicate of the annual statement of this savings' bank, prepared up to the 20th day of November in every year, and forwarded to the commissioners for the reduction of the national debt, accompanied by a list of the trustees and managers of this institution for the time being, shall be affixed and exhibited in some conspicuous part of the office or place where the deposits are usually received. A printed copy of such annual statement every depositor shall be entitled to, on payment of one penny.

36. *Arbitration.*—Any matter in dispute between this institution, or any person acting under the same, and any depositor therein, or any person claiming to be executor, administrator, next of kin, or creditor of any deceased depositor, shall be referred to the arbitration of two persons, one to be named by the managers, and the other by the claimant; and in case the arbitrators so appointed shall not agree, then such matter in dispute shall be referred, in writing, to the barrister-at-law appointed by the commissioners for the reduction of the national debt, and the decision or award of such arbitrators or barrister shall be final and decisive, to all intents and purposes, without any appeal.

37. *Superintending committee.*—A committee shall be annually chosen from among the managers, by ballot, at the annual meeting

of the patron, trustees, and managers of this institution; which committee are empowered to superintend and conduct the general business of the bank, and to fill up and add to the number of the managers during the year. This committee shall consist of nineteen members, the trustees being *ex-officio* members of this committee, three to form a quorum; and not less than five members of the committee must be present to authorise any expenditure which shall exceed the sum of twenty-five pounds for any one object; and this committee are empowered to appoint sub-committees from their members. The committee shall report their proceedings to the general annual meeting.

38. *Cheques on treasurer.*—No cheques shall be drawn upon the treasurer, but on the signature of two managers; and countersigned by the secretary or actuary, or his assistant.

39. *Regulations.*—The managers shall be empowered to make such further regulations, or alterations of those already made, as they may from time to time deem necessary for the benefit of the institution; provided such be not contrary to the spirit of these regulations, and are approved by a general meeting, and duly enrolled at the sessions. The bank may be closed for three weeks immediately following the 20th day of November, in each year, or for as much less time as the managers may direct, in order to enable the actuary to make up the interest and other accounts required by act of parliament.

40. *Donations, &c.*—Donations and legacies will be received from those desirous of promoting the object of the institution, which shall be considered an auxiliary fund, to meet any expenditure which may occur beyond what the usual funds of the institution may at first be enabled to support; or to be otherwise disposed of, as may be determined by the trustees and managers.

Table showing the produce of weekly savings of one shilling, for various periods, distinguishing the amount paid in from the interest accruing thereon, by which it will be seen that the interest added is nearly equal to the money paid in at the end of the period; the interest amounting to 66*l.* 2*s.* 5*d.* upon 83*l.* 10*s.* paid in.

Number of Years.	Amount paid in.			Amount of Interest thereon.			Total Produce.		
	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*
3	7	17	0	0	7	8	8	4	8
7	18	6	0	2	5	5	20	11	5
14	36	11	0	9	19	11	46	10	11
21	55	16	0	24	12	4	79	8	4
28	73	3	0	47	19	7	121	0	7
32	83	10	0	66	2	5	149	12	5

This will clearly prove the very great advantage to be derived from a provident saving of a sum even so small as few can plead inability to spare.

An Account of the number of depositors, divided into classes; the amount of their deposits; and the average amount invested by each depositor in the savings' banks of England, Wales, and Ireland; also the amounts lodged by friendly and charitable societies—on the 20th Nov. 1833.

	ENGLAND.			WALES.			IRELAND.			TOTAL.		
	Number of Depositors.	Amount of Investments.	Average Amount invested by each Depositor.	Number of Depositors.	Amount of Investments.	Average Amount invested by each Depositor	Number of Depositors.	Amount of Investments.	Average Amount invested by each Depositor.	Number of Depositors.	Amount of Investments.	Average Amount invested by each Depositor.
£		£	£		£	£		£	£		£	£
Depositors under 20	215,373	1,517,503	7	5,602	43,681	7	23,600	173,525	7	244,575	1,734,709	7
— 50	112,220	3,451,817	30	3,486	105,061	30	18,262	550,557	30	133,968	4,107,485	30
— 100	49,552	3,403,188	68	1,284	86,478	67	5,579	367,161	65	56,415	3,856,827	67
— 150	17,680	2,121,286	119	384	46,239	120	1,242	148,432	119	19,306	2,315,957	120
— 200	8,947	1,508,725	168	186	30,854	165	419	70,840	169	9,552	1,610,419	168
Above......... 200	3,234	814,425	251	73	17,574	240	68	16,607	244	3,375	84[illegible],606	252
Total Depositors.....	407,006	12,816,944	31	11,015	329,887	29	49,170	1,327,122	27	467,191	14,473,953	31
Friendly Societies...	4,193	976,954	233	195	26,364	135	210	13,089	62	4,598	1,016,107	221
Charitable Societies.	2,815	179,645	64	59	4,899	83	492	40,507	82	3,366	225,051	67
Totals......	414,014	13,973,243	34	11,269	361,150	32	49,872	1,380,718	28	475,155	15,715,111	33

The number of savings' banks in England is 385, in Wales 23, and in Ireland 76, making a total of 484.

By the last census the population of England was 13,089,338, of Wales 805,236, and of Ireland 7,767,401. By comparing the number of depositors in the savings' banks with the amount of the population, we find that the proportion in England is one person in 32, in Wales one in 73, and in Ireland one in 157. By comparing the amount of the investments with the population, the average for each person in England is 19*s.* 7*d.*, in Wales 8*s.* 2*d.*, and in Ireland 3*s.* 5*d.*

A considerable increase occurred in the amount of the deposits in savings' banks, and also in the number of depositors, during the two years preceding November, 1833. On this subject I transcribe the following article from the "Times:"

"A pamphlet, small in point of size, but of no mean interest or importance with respect to its contents, has been just put forth by Mr. Pratt, the barrister, appointed to certify the rules of savings' banks and friendly societies. This production, of which a brief tabular summary recently appeared in the 'Times,' contains accounts of the savings' banks in every county of England, Wales, and Ireland, showing the number and amount of deposits, and the increase or decrease that has occurred in each particular instance, between November, 1831, and November, 1833, the latest period to which the official returns reach. The result is, that in the space of those two years the total number of accounts has increased to the extent of 45,755; the increase of depositors of sums not exceeding *50l.* being 40,616, and the gross sum invested on the 20th of November, 1833, amounting to 1,403,461*l.* more than in November, 1831. This statement affords satisfactory evidence of a progressive improvement in the condition of the industrious classes. It is worthy of observation that the few counties which exhibit a falling off in the amount of their deposits are precisely those in which trades' unions and turns-out have prevailed to the greatest extent. Among parts of the country where unions appear to have flourished at the expense of the savings' banks, we may enumerate Derbyshire and Durham, in the latter of which there has been a decrease of 917 out of 3651 accounts. As might naturally be supposed, the waste of capital has occurred principally among the smaller and poorer depositors; the diminution in the number of accounts under *50l.* being 719, and the decrease in sums below 100*l.* amounting to 830 of the entire 917. The highest average amount of deposits in the English counties occurs in Dorset and Hertford, where the accounts average 41*l.* to each depositor: the lowest averages are in London 22*l.* and in Monmouthshire and Warwickshire, in both which the average amount of each depositor is 25*l.* The increase in the deposits of the Irish savings' banks has been proportionably much greater than in the English. In England and Wales the augmentations since 1831 do not exceed 8 per cent. of the gross sum invested, while in Ireland the increase has been above 25 per cent. Of course, it will be said that the condition of the Irish people being inferior to that of the English, there exists greater room for improvement in the one class than in the other, and that this circumstance explains the more rapid expansion of savings' banks in Ireland. The observation is undoubtedly true, but it leaves the fact of the increasing prosperity of the sister

kingdom unshaken. It is clear that Ireland is not only in a state of progressive improvement, but that she is improving at a quicker rate than this country. It is remarkable that the number of accounts open in savings' banks greatly exceeds that at the Bank of England for the receipt of dividends. In the latter there are 276,476 accounts, but in the former they amount to 475,155, with a capital of 15,715,111*l.* The humbler classes have no inconsiderable pecuniary stake in the welfare of their country."

Much useful information would be obtained if the returns from the savings' banks included a classification of the depositors, not merely according to the individual amount of their deposits, but according to the class of society to which they severally belong. The savings' bank at Exeter has published such a statement. The depositors are distributed in five classes, each class having several subdivisions. — 1. Domestic servants, under three subdivisions. — 2. Persons engaged in trade and manufactures, under eight subdivisions. — 3. Persons engaged in agriculture, under three subdivisions. — 4. Persons belonging to the army and navy, or connected with the revenue offices, under four subdivisions. — 5. Miscellaneous depositors, under three subdivisions. This bank is established at Exeter; but there are in the county of Devon 130 clergymen and gentlemen who act as its receivers, and take deposits from parties who reside in their respective neighbourhoods. Hence, while the deposits in all the savings' banks of England average only 19*s.* 7*d.* for each person, as compared with the whole population, the proportion between the deposits in the savings' bank and the population of the county of Devon is 1*l.* 16*s.* 4*d.* for each person. This arises not from the deposits being of larger amount, but from the depositors being more numerous. It is remarkable that above one fifth of the amount of deposits in the Exeter savings' bank stands in the name of children. A notice of twenty-eight days is required before any sum can be withdrawn.*

* See the articles on savings' banks in the Quarterly Journal of Education for January 1. 1835.

Scotland has always had the advantage of savings' banks by means of the deposit system, which is a regular branch of the business of the commercial banks. But as the banks will not receive a smaller deposit than ten pounds, savings' banks have been formed to receive small deposits; and when the sums received from any one depositor amount to ten pounds, the account is transferred into one of the regular banks, and the party is then allowed to make any further addition he thinks proper. The deposit system of banking is universally considered to be one cause of the prudence and frugality by which the lower classes of the people of Scotland are distinguished.

The savings' banks were rendered increasingly useful to the public by an act (3 Wm, 4. c. 14.) passed in 1833, "to enable depositors in savings' banks, and others, to purchase government annuities through the medium of savings banks."

By this act annuities may be obtained at the savings' banks, either by persons who are depositors or not. The annuities may be either immediate or deferred, and for a term of years or for life. The annuity, however, must not exceed the sum of 20*l*., nor be granted on any life under fifteen years of age. The sums paid for the purchase of these annuities are received at the savings' banks, and the annuity is paid at the savings' banks. It may, however, be paid at a different savings bank from that which receives the purchase money, if the party desires it. The purchaser of an annuity upon any life may subsequently purchase an additional annuity upon the same life, without fresh certificates as to the age of the nominee, but both annuities together must not exceed the sum of 20*l*. If the annual payments made for the purchase of a deferred annuity be not kept up, or if the nominee of a deferred life annuity die before the annuity commences, then all payments made for the purchase thereof are to be returned. In places where no

savings bank is established, a society may be established for the purpose of granting annuities, provided the rector, or vicar, or minister of the parish for the time being, or a resident justice of the peace, be one of the trustees of the society. No annuity granted under this act is liable to any taxes, charges, or impositions whatever.

The following are the Official Instructions for the establishment of Parochial Societies for granting Government Annuities.

"The stat. 3 Wm. 4. c. 14. was framed with the view of enabling the industrious classes to purchase, by the payment of a certain sum in the first instance, or by annual instalments, an annuity, to commence at any age the purchaser may please; and may be either immediate or deferred, for life or for a term of years.

"No unnecessary expenses are incurred in the management, which is wholly gratuitous, the trustees and managers acting as the agents of government; the amount of the annuity to be purchased cannot be less than 4*l.* or more than 20*l.* per annum, and is secured by government. No annuity can be contracted for on the life of a person under the age of fifteen. The money to be paid may be either in one sum in the first instance, or by weekly, monthly, quarterly, or yearly payments, as may suit the convenience of the purchaser. The amount of the money paid down, or of the yearly instalments, will of course depend upon the age of the party, and the time when he wishes the annuity to commence. The annuity is payable half-yearly, viz. on the 5th of January and 5th of July, or the 5th of April and 10th of October. But if a party wish to have the annuity payable quarterly, he may effect his object by purchasing one half payable in January and July, and the other in April or October. Provisions are also made for enabling the party to make his annual pay-

ments, or receiving the annuity at any other society than the one at which the contract was originally entered into. Upon the death of the person on whose life the annuity depended, a sum equal to one-fourth part of the said annuity (over and above all half-yearly arrears thereof respectively) will be payable to the person or persons entitled to such annuity, or his, her, or their executors or administrators, (as the case may be,) provided such last-mentioned payment shall be claimed within *two years* after such decease, but not otherwise; provided also, that the fourth part of any expired life annuity, payable under the provisions of the said act, will not be payable, nor be paid upon or in respect of any *deferred life annuity*, unless one half-yearly payment of such deferred life annuity shall have been actually paid or become due at the time of the decease of the nominee. Independently of the advantages which are thus afforded to the industrious classes to obtain by small payments a certain provision in old age, or at any other stated period, *secured by government*, and of which they cannot be deprived on account of miscalculation, the tables of contributions have been so calculated that *if the purchaser of a deferred life annuity die before the time arrives at which the annuity is to commence, the whole of the money he has actually contributed will be returned, without any deduction, to his family.* And if it does not exceed 50*l.* it is not necessary that probate or letters of administration should be taken out. But if he has left a will, or administration is taken out, no stamp or legacy duty is payable in respect of the sum so returnable, if the whole estate, &c. of the member is under 50*l.*; and again, *if a purchaser is incapable of continuing the payment of his yearly instalments, he may, at any time, upon giving three months' notice, receive back the whole of the money he has paid.* No annuity granted will be subject or liable to any taxes, &c.; nor can the same

be transferred or assigned, but must continue to be the property, or be received for the benefit of the party by or for whom it was purchased; but in case of the bankruptcy or insolvency of the purchaser of an annuity, the same is to be repurchased by the commissioners, at a valuation according to the tables upon which the annuity was originally granted, and the money will be paid to the assignee, for the benefit of the creditors.

"A parochial society is not confined to the parish in which it may be established; but any person, wheresoever resident, may subscribe thereto, and will, on application at the office where the business of the society is transacted, receive every information he or she may require, and be furnished with a form of certificate of birth, &c., which must be produced before the contract for the annuity can be entered into."

"From the above statement it will appear that any *deferred annuity*, purchased by annual or other payments from a society established under the stat. 3 Wm. IV. c. 14. will entitle the purchaser (if he live to the age at which the annuity is to commence) to receive an annuity equivalent to the value of all his payments, with the accumulation of compound interest; if he is unable to continue his yearly instalments, he may have back all the money he has paid, exclusive of interest; and if he die before the commencement of the annuity, his family will, in like manner, receive the whole of the contributions he may have actually made previous to his decease, exclusive of interest.

"In order to establish a society under the provisions of the above statute, the first step to be taken is to call a meeting of the persons who may be desirous of forming it, and at such meeting to appoint the trustees, treasurers, managers, and secretary, and to prepare a set of rules.

"The rules when agreed upon by the trustees and managers, must be written on parchment, and signed by two of the trustees, and transmitted to John Tidd Pratt, Esq., the barrister-at-law appointed to certify the rules of savings' banks, 4. Elm Court, Temple, London, for his certificate, that they are in conformity to law, and with the provisions of the act 3 Wm. IV. c. 14.; and when so certified, must be sent with a duplicate copy to the clerk of the peace for the county, &c. in which the parish or place is situate, for the purpose of being enrolled at the ensuing quarter sessions; when enrolled, the duplicate copy will be returned by the clerk of the peace. *A copy of the rules on parchment, with the certificate of two trustees that they have been duly certified and enrolled, and that one of the trustees is the rector, &c. of the parish, or a justice of the peace resident in the parish, must be transmitted to the commissioners for the reduction of the national debt, Old Jewry, London*, and the necessary forms, &c. with the system of book-keeping, will be immediately forwarded to the trustees, to enable them to open an account with the said commissioners, for the purpose of the said Act.

"By the 9th Geo. IV. c. 92. § 4. the fee payable to the barrister for his certificate is one guinea, and the clerk of the peace is entitled to ten shillings.

"The expenses attending the conveyance of rules, and of correspondence, &c., must be defrayed by the society."

The following are the rules of the Annuity Society, established in the Parish of St. Clement Danes, Strand.

1. *The object.* — The object of this society is to enable depositors in savings' banks, and others, to purchase government annuities, immediate or deferred, for life, or for a certain term of years, according to the tables provided for that purpose, and sanctioned by the lords of the treasury. — 3 Wm. IV. c. 14. § 1. 5.

2. *Donations, &c.*—Donations and legacies will be received from those persons desirous of promoting the object of the institution, which shall be considered an auxiliary fund, to meet any expenditure beyond what the funds of the institution may at first be enabled to support; or be otherwise disposed of, in aid of the objects of the institution, as may be determined by the trustees and managers.

3. *Management.*—This society shall be under the management of the treasurer, trustees, and managers of the savings' bank. The clerk and officers shall be appointed and removed by the trustees and managers.

4. *No emoluments.*—No person being a trustee, treasurer, or manager of this society, shall derive any emolument, profit, benefit, or advantage, directly or indirectly, from the funds of this society. —9 Geo. IV. c. 92. § 6.; 3 Wm. IV. c. 14. § 26.

5. *Security to be given by treasurer and other officers.*—The treasurer, as well as every officer or other person receiving any salary or allowance for their services from the funds of this society, shall give good and sufficient security for the just and faithful execution of such office of trust, in such amount as the trustees and managers shall from time to time direct; and such security shall be given, by bond, to the clerk of the peace for the county of Middlesex, and be approved of by two trustees and three managers.—9 Geo. IV. c. 92. § 7.; 3 Wm. IV. c. 14. § 26.

6. *Liability of trustees and managers.*—No trustee or manager shall be personally liable, except for his own acts and deeds, nor for any thing done by him in virtue of his office, except in cases where he shall be guilty of wilful neglect or default.—9 Geo. IV c. 92. § 9.; 3 Wm. IV. c. 14. § 26.

7. *Annual and other general meetings.*—The office of this institution shall be held at the vestry room of St. Clement Danes, or at such other place as the trustees and managers may hereafter appoint; and the general meetings, consisting of the trustees and managers of the institution, and the honorary subscribers thereto, shall be held at the office of the institution, or such other place as the trustees and managers may appoint, on the third Thursday in June, and the third Thursday in December, at six o'clock in the evening; and special general meetings may be called, at the request of any seven trustees or managers.

8. *Visiting managers.*—Two managers shall be appointed to attend, each week, at the office, during office hours. They must attend themselves, or procure the attendance of other managers. They shall examine the account-books and ledgers, and see that all receipts and payments are regularly entered and correctly posted.

9. *Days and hours of attendance, and mode of transacting business.*—The office shall be open on Monday in every week, for the receipt or payment of money, from six o'clock in the evening until seven o'clock, or at such other hours and days, or day, as at a general meeting of the trustees and managers may be ordered.

All money received shall be entered in the account-book or ledger, in the presence of the party who pays the same, who, on applying to contract for the annuity, as well as at any time thereafter, when required by any trustee or manager, shall sign his name or mark to a declaration, in the form directed by the commissioners for the reduction of the national debt, that he does not possess or is not entitled to any annuity or annuities, under the provisions of the stat. 3 Wm. IV. c. 14., exceeding in the whole the sum of 20*l.* per annum. He shall then receive a book, containing an abstract of the rules, with a certificate of the contract for the annuity, signed by two trustees or managers, and also an account of the money paid, attested by the signature of a manager, which book must be brought to the office whenever any further payment is made, that the transaction may be entered therein. No person will be allowed to contract for an annuity without disclosing his name, together with his profession, business, occupation, calling, and residence, which shall be entered in the books of the institution. No transaction will be considered binding on the institution, unless a manager is present, and affixes his signature to every receipt and payment.— 3 Wm. IV. c. 14. § 1.

10. *Admission fee, &c.*— Upon application for the purchase of an annuity, the party must pay 2*s.* 6*d.* as an admission fee; and if the annuity is contracted for, the further sum of 1*s.* annually, towards defraying the necessary expenses incurred by the institution.— 3 Wm. IV. c. 14. § 3.

11. *Age of nominee, and amount of annuity.*—No annuity can be contracted for upon the life of any party or nominee who is under the age of fifteen; and no annuity or annuities can be possessed by any one individual exceeding, in the whole, the sum of 20*l.*, nor less than 4*l.* per annum. If any individual shall have or hold, or be possessed at any one time, of any annuity or annuities granted under the provisions of 3 Wm. IV. c. 14. exceeding, in the whole, the sum of 20*l.* per annum, the said annuity or annuities will immediately cease and be forfeited.— 3 Wm. IV. c. 14. § 2.

12. *Contracts for annuities to be approved of by Commissioners, &c.— Proof required of age and existence, &c. of annuitant.*— All contracts for annuities must be sanctioned by the commissioners for the reduction of the national debt, or comptroller-general, or assistant comptroller-general, acting under the said commissioners; for which purpose, any party desirous of purchasing an annuity must furnish the managers with proof of the age of the person on whose life the annuity is to be granted; and fourteen days previous to payment being demanded of any life annuity, proof, to the satisfaction of the said commissioners, or the comptroller-general, or assistant comptroller-general, must be given to the said managers of the existence and identity of the party upon whose life the annuity is granted. When the annuity is granted for a term of years, the same will be paid when due, without any proof being required.— 3 Wm. IV. c. 14. § 1, 2. 14, 15.

N.B. The form of certificates of birth, and of existence and identity, may be obtained on application at the office of the institution during office hours.

13. *When annuity granted on life of nominee, further annuity may be purchased without fresh proof.*— Whenever satisfactory proof of the age of any nominee has been produced, any other person may contract for an annuity upon the life of such nominee, without the production of any further proof of age.—3 Wm. IV. c. 14. § 9.

14. *Time when annuity cannot be contracted for.*—No annuity can be contracted for within the space of fourteen days next after any of the quarterly days appointed for payment of annuities.—3 Wm. IV. c. 14. § 12.

15. *Money received for annuities to be paid to commissioners.*—If the annuity purchased is an *immediate* annuity, or a *deferred* annuity, to be paid for by the purchaser at once, the money received by the institution in such cases will be paid over without delay to the commissioners for the reduction of the national debt; but if the contract is for a deferred annuity, to be purchased by *annual* payments, such annual payments will be made to the said commissioners yearly, although for the convenience of the purchaser the money will be received from him by the managers, by weekly, monthly, or other payments, as mentioned in the certificate of contract.—3 Wm. IV. c. 14. § 1.

16. *Time when annuities are payable, and amount of payment at death.*—All annuities, when due, will be payable to the trustees by two equal half-yearly payments, viz. on the 5th of January and 5th of July, or 5th of April and 10th of October, in every year; that is, on the 5th of January, in respect of all purchases completed by payment of money by the trustees into the Bank of England, at any time during the quarter ending on the 10th of October preceding such 5th of January; on the 5th of April, in respect of all such purchases so completed at any time during the quarter ending on the 5th of January preceding the 5th of April; on the 5th of July in respect of all such purchases so completed at any time during the quarter ending on the 5th of April preceding such 5th of July; and on the 10th of October in respect of all such purchases so completed at any time during the quarter ending on the 5th of July preceding such 10th of October. The annuities will be payable to the parties entitled thereto, upon proof of the existence of the nominee, if it be a life annuity, on the first day the institution is opened, after the respective quarter days before-mentioned. On the death of the nominee or person on whose life the annuity is granted, a sum equal to one fourth part of the annuity, over and above all half-yearly arrears thereof respectively, will be paid to the person entitled to the annuity, or to his or her executors or administrators, on the half-yearly day of payment next succeeding the production to the trustees of proof of the death of nominee, provided such proof is produced to the trustees (to be by them forwarded to the commissioners) within forty days next preceding

the 5th of January, 5th of April, 5th of July, and 10th of October respectively, and that such payment is claimed within two years after the death of the nominee; but the fourth part of any expired life annuity will not be payable in respect of any deferred life annuity, unless one half-yearly payment of such deferred life annuity shall have been actually paid or become due at the time of the decease of such nominee.—3 Wm. IV. c. 14. § 11.

17. *Annuity contracted for in one parish may be received, &c. in another.*—When a party, having contracted for an annuity, shall remove his residence, arrangements may be made, with the sanction of the commissioners for the reduction of the national debt, for his paying the weekly, monthly, or other instalments, as well as receiving the annuity at any other savings' bank or parochial society, adopting the provisions of the stat., 3 Wm. IV. c. 14.

18. *Annuity not transferable.*—No annuity, when purchased, can be transferred or assigned by the purchaser, so as to enable the assignee to receive the same during the life-time of the purchaser, except in case of insolvency or bankruptcy, when the same will become the property of his or her creditors; and in such case the commissioners for the reduction of the national debt will re-purchase the annuity at a fair valuation, according to the tables upon which the annuity was originally purchased.—3 Wm. IV. c. 14. § 16.

19. *Stamp duty not payable.*—No stamp duty is payable upon or in respect of the copy of any register of birth, or baptism, or marriage, or burial, of any nominee or other person, or upon or in respect of any certificate, affidavit, affirmation, or declaration made or taken in pursuance of the stat. 3 Wm. IV. c. 14., or upon or in respect of any certificate or other instrument respecting the payment of money for the purchase of any annuity, or of any power of attorney authorizing the receipt, or in respect of any receipt for the payment of any annuity or any part thereof.—10 Geo. IV. c. 24. § 38.; 3 Wm. IV. c. 14. § 19.

20. *Annuity not subject to any tax, &c.*—No annuity will be subject or liable to any taxes, charges, or impositions whatever, and shall be deemed to be personal estate; and, in all cases where the same shall not depend upon the life of the person purchasing the same, shall go to his executors or administrators.—3 Wm. IV. c. 14. § 17.

21. *Money paid for purchase of annuity, when returnable.*—Whenever any person, having made one or more payment or payments for the purchase of a deferred annuity, shall make default in paying or continuing to make the residue of such payments, the amount of all the payments which shall have been actually made previous to such default shall, upon three months' notice to the trustees and managers, to be by them notified to the commissioners for the reduction of the national debt, of his inability to continue his payments, be returned to the said person so making default as aforesaid; or in case of the death of the party having contracted

for any deferred annuity, previous to the said annuity becoming payable, the amount of all the payments which have been made previous to his death shall be paid, exclusive of interest, to his executors or administrators. — 3 Wm. IV. c. 14. § 18.

22. *Members becoming insane, or otherwise incapacitated to act.* — In case any member of this institution shall become insane, or otherwise incapacitated to act, whether from illness or any other cause, and if the same shall be proved to the satisfaction of the managers at one of their meetings, by the certificate of a medical attendant in cases of insanity, or by the certificate of a medical attendant or otherwise in cases of illness or other bodily infirmity, and if the managers shall be satisfied of the necessity of the case, they shall authorise the treasurer or actuary of this institution to pay to a relation or friend of the member such weekly sum for the care, maintenance, and medical attendance of such member as they shall think fair and reasonable; and they may also authorise the treasurer or actuary to make such other payments on account of such member as the urgency of the case may require; all which weekly or other payments shall be made out of the monies standing in the name of or belonging to such members, on the receipt of the party to whom such payment shall have been directed to be made.

23. *On death of party, if payments to be returned exceed 50l., probate, &c. must be taken out; if under 50l., and no will, &c., same to be divided among relations.* — If any person, having contracted for an annuity, shall die previous to the said annuity becoming payable, and the money payable to his executors or administrators exceeds the sum of 50*l*., the same shall not be paid to any person or persons as representative or representatives, but upon probate of the will of the deceased, or letters of administration to his or her estate and effects; provided that where the whole estate and effects of the deceased, for or in respect of which any probate or letters of administration shall be granted, shall not exceed the value of 50*l*., no stamp duty shall be chargeable thereon, nor upon any legacy or residue, or part thereof, bequeathed, nor upon any share or part of the estate or effects to be paid or distributed by or under such probate or letters of administration; but in every such case a certificate of the amount due to the deceased shall be granted, in the form following, which shall be signed by one trustee or manager, and be countersigned by the secretary: —

"ST. CLEMENT DANES' ANNUITY SOCIETY.

"It is hereby certified, that the amount of the payments made by , previous to his decease, amounted to the sum of £

Witness our hands, this day of 18

"Trustee or Manager.

"Secretary."

But, in case the money paid by the deceased, and returnable on his death, shall not exceed the sum of 50*l.*, and the trustees and managers shall be satisfied that no will was made and left by the deceased, and that no letters of administration will be taken out of the goods and chattels of the deceased, the trustees and managers may pay and divide the same at any time after the death of the deceased, to and among his or her relations, according to the statute of distributions. — 9 Geo. IV. c. 92. § 40, 41.; 3 Wm. IV. c. 14. § 26.

24. *Disputes, how settled.* — If any disputes shall arise between this institution, or any person or persons acting under it, and any party who has contracted for an annuity, or any executor, administrator, next of kin, or creditor of any such party, or any person claiming to be such executor, administrator, next of kin, or creditor, then and in every such case the matter so in dispute shall be referred to the arbitration of two indifferent persons, one to be chosen and appointed by the trustees or managers, and the other by the party with whom the dispute arose; and in case the arbitrators so appointed shall not agree, then such matter in dispute shall be referred in writing to the barrister-at-law appointed to certify the rules of savings' banks, who shall receive a fee of not more than one guinea; and whatever award, order, or determination shall be made by the said arbitrators, or by the said barrister, shall be binding and conclusive on all parties, and shall be final to all intents and purposes, without any appeal; and the said award, order, or determination shall declare by whom the said fee payable to the said barrister shall be paid. — 9 Geo. IV. c. 92. § 45.; 3 Wm. IV. c. 14. § 26.

25. *Penalty in case of certificate, &c., containing untrue statement.* — If any certificate, affidavit, affirmation, or declaration shall be produced to the commissioners, which shall contain any untrue statement of the age of any person proposed or appointed to be a nominee, with intent to obtain an annuity on the continuance of the life of any person under the age of fifteen, or to obtain any higher rate or amount of annuity during the life of any nominee than would be allowed according to the true age of such nominee, then and in every such case all money which may have been paid for or on account of the purchase of such annuity shall be forfeited, and all right and title to any annuity which would or might otherwise have been payable in respect thereof shall cease and determine, and the person or persons by whom or on whose behalf such money shall have been paid shall forfeit treble the amount of any and every sum which may have been received by or on behalf of such person on account or in respect of such annuity, and also the further sum of 500*l.* — 10 Geo. IV. c. 24. § 40.; 3 Wm. IV. c. 14. § 13.

26. *Penalty for forging, &c. certificate, &c.* — If any person shall forge, counterfeit, or alter, or shall cause or procure to be forged,

counterfeited, or altered, or shall knowingly or wilfully act or assist in the forging, counterfeiting, or altering any register of the birth or baptism, or death or burial of any person or persons to be appointed a nominee or nominees, or any copy or certificate of any such register, or the name or names of any witness or witnesses to any such certificate, or any affidavit or affirmation required to be taken, or any certificate of any justice of the peace or magistrate, or any certificate of any governor, or person acting as such, or minister, or consul, or chief magistrate of any province, town, or place, or other person authorised to grant any certificate of the life or death of any nominee; or if any person or persons shall wilfully, falsely, or deceitfully personate any true and real nominee or nominees, or shall wilfully utter, or deliver, or produce to any person or persons acting under the authority of the act of 3 Wm. IV. c. 14. any such forged certificate, affidavit, or affirmation, knowing the same to be forged, counterfeited, or altered, with intent to defraud his Majesty, his heirs and successors, or with intent to defraud any person or persons whomsoever, then and in every such case all and every person and persons so offending, and being lawfully convicted thereof, shall be guilty of felony. — 10 Geo. IV. c. 24. § 42.; 3 Wm. IV. c. 14. § 13.

27. *Penalty on receiving annuity after death of nominee.* — If any person shall receive any one or more payment or payments, (otherwise than is authorised by these rules,) upon or in respect of any annuity granted under the provisions of the 3 Wm. IV. c. 14. after the death of any nominee on the continuance of whose life such annuity was payable, knowing such nominee to be dead, every person so offending shall forfeit treble the amount of all money so received, and also the further sum of 500*l.* — 10 Geo. IV. c. 24. § 42.; 3 Wm. IV. c. 14. § 13.

28. *If affidavit false, party guilty of perjury.* — If any person, in any affidavit to be taken before any justice of the peace or magistrate, shall wilfully or corruptly swear or affirm any matter or thing which shall be false or untrue, every such person so offending, and being thereof duly convicted, shall be subject and liable to such pains and penalties as by any laws any persons convicted of wilful and corrupt perjury are subject and liable to. — 10 Geo. IV. c. 24. § 44.; 3 Wm. IV. c. 14. § 13.

Tables have been constructed under the sanction of government, for the purpose of showing the annual payments necessary to obtain an annuity upon any age from fifteen to eighty, either for life or for a term of years, and either immediate or deferred. A copy of these tables may be obtained for a small charge at the various savings' banks.

TABLE I.

Table, showing the annual payments necessary to obtain an annuity of 20*l.* per annum for life, commencing at the expiration of twenty, twenty-five, and thirty years, upon the under-mentioned ages.

Age.	Annuity to commence in twenty years, yearly sum required.			Annuity to commence in twenty-five years, yearly sum required.			Annuity to commence in thirty years, yearly sum required.		
	£	s.	d.	£	s.	d.	£	s.	d.
18 and under 19	10	4	6	6	19	0	4	15	6
19 — 20	10	2	0	6	17	0	4	13	0
20 — 21	9	19	6	6	14	6	4	11	0
21 — 22	9	17	0	6	12	0	4	9	0
22 — 23	9	14	0	6	9	6	4	7	0
23 — 24	9	11	0	6	6	6	4	5	0
24 — 25	9	8	0	6	4	0	4	3	0*
25 — 26	9	5	0	6	1	0	4	1	0
26 — 27	9	1	6	5	18	0	3	19	0
27 — 28	8	18	0	5	15	6	3	17	0
28 — 29	8	14	0	5	13	0	3	15	0
29 — 30	8	10	6	5	10	0	3	13	6
30 — 31	8	6	6	5	7	6	3	11	6
31 — 32	8	2	6	5	5	0	3	9	6
32 — 33	7	19	0	5	2	6	3	7	0
33 — 34	7	15	0	5	0	0	3	5	0
34 — 35	7	11	6	4	17	6	3	2	6
35 — 36	7	8	0	4	14	6	3	0	6

* Example. — On the 13th of December, 1833, a person (whether male or female), aged twenty-four, and under twenty-five, contracts by annual payments, for an annuity of 20*l.* a year, to be enjoyed by him or her during the rest of his or her life, *after the expiration of thirty years*, reckoning such period from the time of purchase. Under that contract the party would receive the first half-yearly payment of the said annuity on the 5th of April, 1864, that being the second quarterly day of payment next following the expiration of the term for which the annuity was agreed to be deferred. In this case the party would be required, *first*, to pay down 4*l.* 3*s.* on entering into the contract, on the 13th of December, 1833, or to have made twelve monthly payments of 6*s.* 11*d.* previous to that day: and, *secondly*, to continue to make the same payments of 4*l.* 3*s.* annually, on or before the 10th of October, in each of the succeeding thirty years; the last, or thirtieth annual payment, being to be made on the 10th of October, 1863.

If the party were to die on the 1st of October, 1840, or at that time to become incapable of continuing his payments, the sum of 29*l.* 1*s.*, being the amount of what he had paid, would be returned by the society.

TABLE III.

Table, showing the value of an immediate life annuity of 20*l.*, according to the age of the person upon whose life the annuity is to depend. The first half-yearly payment of the said annuity will, in all cases, become due and be payable on the second quarterly day of payment next following the day of purchase.

Age of the person at the time of purchase, upon whose life the annuity is to depend.		Money to be paid down in one sum at the time of purchase.			Age of the person at the time of purchase, upon whose life the annuity is to depend		Money to be paid down in one sum at the time of purchase.			Age of the person at the time of purchase, upon whose life the annuity is to depend.		Money to be paid down in one sum at the time of purchase.		
If	and under	£	s	d	If	and under	£	s	d	If	and under	£	s	d
15	16	377	15	6	37	38	321	17	7	59	60	208	6	2
16	17	374	4	1	38	39	318	2	11	60	61	202	14	4
17	18	370	16	7	39	40	314	6	7	61	62	196	17	5
18	19	367	14	6	40	41	310	7	9	62	63	190	14	11
19	20	364	19	11	41	42	306	5	10	63	64	184	8	0
20	21	362	12	2	42	43	301	18	6	64	65	178	1	0
21	22	360	10	5	43	44	297	7	10	65	66	171	14	2
22	23	359	0	4	44	45	292	12	6	66	67	165	7	5
23	24	357	12	6	45	46	287	12	6	67	68	159	9	1
24	25	356	4	7	46	47	282	7	10	68	69	153	12	3
25	26	354	15	3	47	48	276	16	0	69	70	147	16	2
26	27	353	3	0	48	49	271	0	4	70	71	142	2	6
27	28	351	1	8	49	50	265	1	4	71	72	136	11	9
28	29	348	17	1	50	51	259	0	4	72	73	131	3	7
29	30	346	9	5	51	52	252	18	11	73	74	125	14	8
30	31	343	18	10	52	53	247	1	8	74	75	120	1	5
31	32	341	5	5	53	54	241	5	11	75	76	114	4	7
32	33	338	9	5	54	55	235	12	7	76	77	108	4	3
33	34	335	9	11	55	56	230	1	5	77	78	101	7	5
34	35	332	6	9	56	57	224	11	8	78	79	94	11	10
35	36	328	19	11	57	58	219	3	8	79	80	88	1	10
36	37	325	9	11	58	59	213	15	9	80 or upwards		81	14	10

The act which establishes the annuities amended the act passed in 1828 for the regulation of savings' banks.

Persons withdrawing the whole of their deposits are allowed to replace only 30*l*. in any one year, reckoning from the 20th of November to the 20th of November following. The officers of savings' banks becoming insolvents, are to pay the money they may owe to savings' banks before any other debts.

In every point of view the savings' banks appear calculated to produce unmingled good. They extend to persons of small means all the benefits of banking. The industrious have thus a place where their small savings may be lodged with perfect security from loss, and with the certainty of increase. They tend to foster that disposition to accumulate which is usually associated with temperance and prudence in all the transactions of life. Upon the mercantile interests of society they have the same effect as commercial banking. The various small sums which were previously lying unproductive in the hands of many individuals, are collected into one sum and lodged in the public funds. The tendency of this, in the first place, is to raise the price of the funds. This advanced price may cause some of the holders to sell out and to employ their money in trade and commerce. Thus the savings' banks augment the productive capital of the nation.

It is much to be regretted that the advocates for savings' banks should ever have proposed these institutions as substitutes for benefit societies. Cannot the interest of one excellent institution be promoted but at the expense of another? Savings' banks are a useful addition to benefit societies, but cannot supply their place. A labourer pays to a benefit club about thirty shillings per annum, and for that payment he receives about eight shillings per week during the time of illness. If this sum be lodged in a savings' bank, how soon will a few weeks' illness exhaust the whole. It is no doubt the revelling and excess that have too often attended the meeting of benefit societies

at public-houses that have given rise to objections against them. It may be expected, however, that as our labourers and mechanics become better instructed these excesses will be avoided.

But while savings' banks do not supersede benefit societies, neither do benefit societies supersede the necessity for savings' banks. The benefit society is of use only in case of illness—in no other case has a member any claim upon its funds. He cannot draw out money to support his wife, to furnish his house, or to educate his children. The benefit societies are only to guard against calamity, not to increase enjoyment. By these labourers may be saved from the parish workhouse, but they must also become depositors in a savings' bank if they wish to acquire independence.

In the year 1829, an Act of Parliament was passed to consolidate and amend the laws relating to Friendly Societies (9 Geo. IV. c. 56.). By this act any number of persons are authorized to form themselves into a society for the mutual relief and maintenance of the members thereof, their wives, or children, or other relations, in sickness, infancy, or advanced age, widowhood, or any other natural state or contingency, whereof the occurrence is susceptible of calculation by way of average. Such societies may form rules for their own government, and alter and amend such rules as occasion may require. These rules must be submitted to the barrister appointed to certify the rules of savings' banks; and after having been certified by him as containing nothing contrary to law, must be deposited with the clerk of the peace. But the rules are not to be allowed unless the justices are satisfied that "the tables of the payments to be made by the members, and of the benefits to be received by them, may be adopted with safety to all parties concerned." The effects of the society are to be vested in the treasurer or trustees for the time

being, who have full power to bring and defend suits, either civil or criminal, on behalf of the society. Justices may hear cases of fraud, and punish by fine or imprisonment. All documents issued in compliance with this act are exempt from stamp duty.

In the year 1834 an act was passed (4 & 5 Wm. IV. c. 40.) to amend the above act. Among other amendments relating chiefly to the mode of certifying and registering the rules of such societies, it is enacted, that the funds of friendly societies may be deposited in savings' banks *without any limitation as to the amount.* In cases of insolvency the debts due from officers of the society are to be paid before any other debts. Letters to and from barristers are exempt from postage. This act extends to Great Britain and Ireland, and Berwick-upon-Tweed.

From returns made in the year 1815, it appears that the then existing benefit societies contained 925,439 members; a greater number of persons by 27,146 than were at that time receiving relief from the poor rates.

SECTION XV.

THE LONDON AND WESTMINSTER BANK.

My notice of the history and principles of this bank will be confined to a few quotations from the public documents of the company.

1. The following are extracts from the original prospectus: —

"His Majesty's government having declared the law to be that no obstructions exist to impede the formation of Joint Stock Banks of deposit, with an unlimited number of partners, and many noblemen, gentlemen, merchants, and tradesmen, considering that every

circumstance combines to make it desirable for the public good at once to establish a Joint Stock Bank, with such an extent of capital as will ensure the perfect confidence and security of depositors, and the greatest practical accommodation and assistance to trade and commerce, the under-mentioned committee has been formed, on whom will devolve the duty of making the necessary arrangements for constituting the bank, of forming the direction, and of maturing the plan for the future management of the establishment, including the settlement of the deed of constitution, and the revision and alteration of the conditions of this prospectus, in their discretion.

"The success of Joint Stock Banks is not experimental, but ascertained, and practically illustrated by the admitted prosperity of such banks in England, Scotland, and Ireland. This affords the best reason for anticipating similar success to the present more extended establishment, proposed to be conducted upon the same approved system of banking.

"The advantages of Joint Stock Banks are obvious: — Their capital cannot be diminished by either deaths or retirements; their numerous proprietors insure to them confidence and credit, as well as ample business in deposits, loans, and discounts; and their rigid exclusion of every kind of mercantile and speculative transaction, affords a satisfactory guarantee to the community at large that their means are only employed in legitimate banking operations. They are under the management and control of men who are elected by the respective proprietors, who have no individual interest which can induce them to depart from an approved prudential course, and who are a safe and constant check upon every transaction and upon every officer in the several establishments; and their system of accounts is so accurate that there is little trouble in producing, at any time, a clear and full statement of their stock and business, however great the one, or extensive the other.

"It is intended, as far as may be practicable, to allow interest on deposits; and while none of the best parts of the system pursued by London private bankers will be overlooked, it is proposed to give such other facilities to the public as have been afforded with so much advantage to all classes by Joint Stock Banks in Scotland, and by the various similar establishments more recently formed in England and Ireland.

"It is proposed, that the bank shall be designated 'THE LONDON AND WESTMINSTER BANK,' and that the establishment shall be forthwith formed in the City; and for the accommodation of the public, a branch bank will be established at the West end of the town. Arrangements for commencing business will be made when, in the judgment of the committee or directors, a sufficient number of shares have been subscribed for."

2. The following are the terms on which the bank transacts business:—

"The bank will receive current accounts on the same terms as they are now received by London bankers.

"Persons who wish to have current accounts with the bank, without being under the necessity of keeping a balance, may, instead thereof, pay to the bank a certain sum annually for the management of their account as may be agreed upon.

"The bank will receive permanent lodgements in sums from £10 to £1000, at the rate of two and a half per cent. per annum. For these sums receipts will be granted, called deposit receipts. If the amount be withdrawn within three months no interest will be allowed. Sums above £1000, lodged on deposit receipts at interest, will be made the subject of a special agreement.

"No interest will be allowed on the balance of any current account.

"Deposit receipts are distinguished from current accounts.—Cheques cannot be drawn against a sum lodged on a deposit receipt, but when the sum, or any part thereof, is withdrawn, the receipt itself must be produced at the bank and delivered up.

"Parties respectably introduced not having an account with the bank, may, nevertheless, have their bills discounted, or loans granted to them, upon approved securities.

"The bank will act as agents to joint stock banks, private country bankers, and other parties residing at a distance."

3. The following is a statement of the manner in which the bank conducts its business in reference to suing and being sued:—

"In recovering debts, or in defending suits and actions, all the partners of a partnership must, by the common law of England, sue and be sued by their several and distinct names. Where the partners are numerous, this is a great inconvenience, and the act to sue and be sued remedies it by providing that all actions shall be brought by or against the partnership in the name of one or two of its members, who are called for this purpose, public officers.

"A large partnership desiring to recover debts, and not having such an act to sue and be sued may, nevertheless, sue in the names of all its partners, and therefore, it is under no absolute disability, nor can the debtor escape.

"The utmost that it experiences from the want of such an act is an inconvenience; and this is removed by carrying on business through trustees.

"The London and Westminster Bank acts thus through trustees, who are never more than five in number, and the right of action to recover all debts is vested in them by special contracts.

"All bonds, mortgages, and special securities when taken, are taken in the names of the trustees; and upon these they have an undoubted right of suit.

"All bills of exchange, promissory notes, or other negotiable securities, are either endorsed to them specially, in which case they alone sue as the special endorsees; or they are endorsed in blank and delivered to the trustees, in which case they alone sue as the holders.

"All guarantees for bills and otherwise, and all engagements to repay money lent, are taken in writing, and addressed to the trustees, by which means the right to sue on them is in the trustees.

"The only other case in which a debt can arise is upon an overdrawn account: and to vest the right of action in the trustees, the pass-book of the customer is kept with the trustees, and on opening an account an engagement in the under-mentioned form is signed."

"To Samuel Anderson, Henry Bosanquet,
Frederick Burmester, Charles Gibbes,
and Henry Harvey, Esquires.

"*London*, 1834.

"Gentlemen,

"You engaging that the London and Westminster Bank shall pay to me whatever sums shall be due to me on my current or other accounts with it, I hereby agree, as a separate contract with you, to pay you or the survivors of you, after demand, the balance, if any, which shall at any time hereafter be due by me to the London and Westminster Bank on those accounts or otherwise; and I request that such drafts only, on these accounts may be honoured as have the under-written signature.

"I am,
"Gentlemen,
"Your obedient Servant.

"The members of the company can be sued for their debts with the same facility as strangers, under the 24th and 25th clauses of the deed of settlement.

"All bills of exchange drawn on the bank are accepted on behalf of the trustees, and they may be sued on them by the holders, if requisite. Upon all other contracts with the bank the trustees engage to be sued on behalf of the bank. The capital and assets of the company are all vested in the trustees, and are applicable by them to the payment of all engagements made by them or on their

behalf; and by these means the difference between the trustees and the public officers is in name only, and the public, with as great facility, sue the trustees, and have the guarantee of the large capital and assets for the engagements of the bank, as if it had an Act to be sued."

4. The following is a summary of some of the clauses of the deed of settlement:—

"That the present and future proprietors shall be a company for banking under the style of the London and Westminster Bank, and shall keep the covenants and pay the calls after-mentioned. The capital to be 5,000,000*l*., to be subscribed from time to time, subject to such limitation or reduction as after-mentioned, and to be divided into 50,000 shares of 100*l*. each, and the shareholders to be liable as amongst themselves, each to the extent of their share in the capital, or the unpaid residue thereof, and to no more, and the allotment of any of said shares and of any additional shares to future subscribers to be vested in directors. The business of the company shall be carried on in London and Westminster, and in such other places as the directors shall think fit. Nature of the business of the company to be that of banking exclusively.

"The entire management of all the affairs and property of the company to be in the board of directors for the time being, and that the several persons named, and those whom they may choose, to the amount of twenty-four in all, shall be the first board of directors. Directors to choose three or more trustees from their own body, or otherwise, in whose names contracts, &c. to be made, who may sue and be sued on behalf of the company, and who are to be under the control of the directors. All proper books to be kept by the directors, and a balance-sheet to be made out to 31st of December of every year. Once in every three months at least a special committee, consisting of not less than three directors, to examine into the state of the property and affairs of the bank, and to report thereon, in writing, to the board. Power in the directors to make calls to the extent of 95*l*. per share, three months previous notice being given of each call, and to direct proceedings to be taken for recovering calls not paid, or to declare forfeiture of shares as after-mentioned. Qualification of a director fifty shares, and after March, 1836, the same must have been held twelve months previous to election. The directors, officers, clerks, &c. to sign a declaration of secrecy on the subject of the transactions of the company with their customers, and the state of their accounts with individuals. Board of directors to remain in office until the first Wednesday in March, 1836. Three directors to retire annually in rotation—the order in which directors are to vacate their office to be decided by lot, and afterwards by the rotation so established.

Appointment of directors to supply the three vacancies to be by the general meeting. The retiring directors eligible to be re-elected. Notice to be given at the company's office, six weeks before the general meeting for election of directors, of any new candidate for the direction.

"A general meeting of proprietors to be held annually on the first Wednesday of March in each year. Questions at a general meeting to be decided by a show of hands; but members holding 500 shares may demand a ballot, at which ten shares shall have one vote, fifty shares two votes, one hundred shares three votes, two hundred shares and upwards, four votes; and no shareholder to be entitled to vote in respect of any shares he has not held for six months previously. The expenses of establishing the company to be advanced out of the capital in the first instance, and to be borne or repaid out of the assets of the company during the first ten years. Interest at two per cent., to be paid to the shareholders out of the first divisible profits upon the instalments paid up previous to the 31st December, 1834, to be computed from the date of payment to the 31st of December, 1834. The first year's profits, if directors think fit, and such proportion as they may think requisite of the nett profits in subsequent years, to form a reserved fund for the purpose of meeting losses and other contingencies, and of preventing fluctuations in the dividends. Directors to determine upon dividends before general meetings, and then declare the same. Directors to pay dividends yearly or half yearly, as they think fit. Shares to be primarily subject to debts due to the company by the holders. Shares may be sold with consent of the directors.

"Power of dissolution vested in two thirds in number and value of the whole proprietors, and who shall be assembled at two successive general meetings convened for that purpose. If the losses of the company shall have exhausted the surplus fund, and one third of the paid-up capital, any one of the proprietors may insist on the dissolution of the company, and the company shall be then dissolved unless for the purpose of winding up the affairs."

5. The following is a copy of the first annual report:—

Report of the Directors of the London and Westminster Bank, to the Proprietors, at their First Annual Meeting, held March 4th, 1835, at No. 38. Throgmorton Street.

PATRICK MAXWELL STEWART, Esq., M.P., *in the Chair.*

"The directors have much pleasure in meeting the proprietors for the first time, and in reporting to them the progress of the bank since its formation.

"It was established in consequence of a clause in the Bank Charter Renewal Act, declaring it to be legal for any body politic or corporate, or society, or partnership, although consisting of more than six persons, to carry on the business of banking in London, provided such partnership was not a bank of issue.

"The preliminaries having been arranged, and the deed of settlement drawn, the bank was opened for business, in Throgmorton Street, and in Waterloo Place, on the 10th of March last. Its progress has been marked by a gradual increase of public confidence, and a steady improvement in business.

"The number of shares taken up at its commencement was 10,000, the number required by the deed of settlement. Since that period further shares have been taken, and the total amount is now 17,713. These are held by 502 proprietors, and represent a capital of 1,771,300*l.*, upon which 15*l.* per share have been called up, and the sum actually received, to this day, is 244,915*l.*

"Many more shares were allotted, and would have been taken, but for the representations of parties interested in giving a check to the establishment of joint stock banks in London. The absurd fears and unjust prejudices which were generated by those representations are, however, gradually subsiding, and must of necessity soon disappear.

"The accounts of the bank have been made up to the 31st of December last. The profits from the 10th of March to that period have enabled the directors to comply with the 70th clause of the deed of settlement, which provided that out of the first divisible profits, interest at the rate of 2 per cent. per annum should be paid upon all instalments received previous to the 31st of December, 1834. After paying this interest and the current expenses of the establishment, a surplus remains, which may serve as the nucleus of a reserved fund, or be applied in payment of a portion of the preliminary expenses.

"The preliminary expenses are those which attended the formation of the bank. It is provided by the deed of settlement that these shall be spread over a period of ten years. They amount to £10,635 12*s.* 10*d.*, the particulars of which will be found in the annexed abstract.

"The directors will now advert to the difficulties they have had to encounter. These have been of no ordinary kind. They have been caused by an opposition, in some degree natural, but carried to an unfair extent, by existing establishments, and likewise by the unaccountable course adopted by government, who seem to have been deterred by the same interested parties from giving effect to their own law.

"The opposition of the private bankers was manifested at an early period, by their refusal to permit any clerk to attend at the clearing-house on behalf of this bank. The clearing-house has been in existence for upwards of sixty years, and, although founded

in the first instance for the accommodation of such London bankers as chose to avail themselves of it, yet it has become entwined with the mode of settling accounts in several branches of business, and is, for all practical purposes, a public institution.

"The opposition of the Bank of England began by their refusal to grant to this company the common convenience of a drawing account, a convenience granted, as a matter of course, to every respectable firm who may choose to apply for it. But their hostility, as well as that of the government, was more strongly shown by their opposition to the bill introduced to parliament for facility of suit. This, it was conceived, was a course that no party could adopt after the explicit manner in which the law had been laid down in the preceding session of parliament.

"The clause upon the subject of joint stock banks in London, introduced into the Bank Charter Renewal Act, and that, too, with the consent of the bank itself, was not only declaratory that the law, as previously existing, did not extend to the prevention of such banks carrying on business in London, but it enacted that for the future they should be able to do so. This enactment being made, it was presumed that it would be carried into effect in the ordinary manner.

"A technical form which requires that all parties to a suit shall be named in the record exists as an impediment to the legal operation of large companies. It has been the invariable custom of parliament, which has not provided for the removal of this obstruction by any general law, to grant to such companies, on special application, a right to sue and be sued in the name of one or more of their officers. The directors therefore applied to parliament for this power, as a necessary consequence of the clause legalising the company.

"They were early assured by eminent counsel that the bank could be carried on legally and substantially by means of trustees; but when there were two modes of conducting the same proceeding — one well known to the public, the other comparatively unknown — the directors naturally took that course which best accorded with the public habits and understanding. Although the bill was opposed with a zeal and tenacity rather out of the usual course of parliamentary proceedings, yet, in the same House of Commons which a few months previously had passed the Bank Charter Act, it was carried by large majorities, through each successive stage — viz. on the second reading, by a majority of 108; in committee, after the fullest and ablest argument by counsel on both sides, by a still greater proportionable majority; and again, on the third reading, by a majority of 61.

"Notwithstanding these majorities in the House of Commons, the opposition was continued in the House of Lords.

"Counsel were heard at the bar of that House, and upon the suggestion of the government, questions were framed for the con-

sideration of the judges, who declined answering them. Under these extraordinary and inexplicable circumstances, and the session drawing to a close, it was deemed impossible to bring on the second reading with any chance of a fair consideration of the question.

"The active opposition of the Bank of England has been again manifested, by its giving notice within these few days of its intention to try the question of our power to accept bills of exchange drawn at a shorter date than six months. Several months ago the Bank of England was aware of the proceedings of the London and Westminster Bank in this respect, but not until now has any step been taken.

"The directors of the London and Westminster Bank are most ready to meet the Bank of England in any court of justice on the subject, for having obtained the best legal advice, they feel quite confident of a favourable result. They have no desire to infringe the privileges of the Bank of England, but they are equally determined to protect the rights of the London and Westminster Bank.

"The Directors congratulate the proprietors, that notwithstanding all this opposition, they have not only been able to stem the torrent, which, it must be evident, arose from private, and not from public considerations, but they have seen, from the progressive advancement of business, that they occupy a more favourable position in public opinion; and whether the ordinary power to sue and be sued be granted or not, whether the courtesies and facilities usual amongst all competitors in business be reciprocated or not, they entertain no doubt of the prosperity of this establishment, founded, as it is, upon liberal principles, and upon a broad basis of security."

A Statement of the Affairs of the Bank, Dec. 31. 1834.

DR. THE LONDON AND WESTMINSTER BANK. CR.

	£	s.	d.		£	s.	d.
Due to the public on account of lodgments and interest on deposit receipts	180,380	9	10	Due to the Bank on account of investments in government securities, bills discounted, &c. and cash in hand...	355,540	3	6
Due to proprietors for paid-up capital....	182,255	0	0	Preliminary expenses	10,635	12	10
Balance in favour of the Bank...........	3,540	6	6				
	£366,175	16	4		£366,175	16	4

Abstract of Profit and Loss Account.

DR.	£	s.	d.	PROFIT AND LOSS. CR.	£	s.	d.
Total current expenditure from the 10th of March to the 31st of December, 1834	4,377	4	2	Balance of interest account	8,438	12	4
Interest due to the public on deposit receipts	521	1	8				
Balance in favour of the Bank	3,540	6	6				
	£8,438	12	4		£8,438	12	4

Abstract of Preliminary Expenses to Dec. 31. 1834.

	£	s.	d.
Rent of Temporary Rooms in Great Winchester Street	£144	2	6
Do ... do ... at No. 11. Waterloo Place	93	13	4
Advertising	1401	14	7
Printing	299	16	8
Stationery	3[illegible]	13	1
Postages	61	16	11
Salaries to the 10th of March, 1834	690	8	11
Fixtures taken at No. 9. Waterloo Place	131	3	9
Furniture ... at do	93	10	1
Solicitors' Account for Law and Parliamentary Expenses, &c.	2880	17	11
Surveyor's Account	289	10	8
Builders' ditto for constructing safes, making alterations, &c.	3346	0	1
Iron-smith's and Brazier's Account	524	18	1
Upholsterer's ... do	340	18	3
Coals, &c.	36	12	7
Miscellaneous Expenses	263	15	[illegible]
	£10,635	12	10

6. The following is a copy of the second annual report:—

Report of the Directors of the London and Westminster Bank, to the Proprietors, at their Second Annual Meeting, held March 2d. 1836, at the London Tavern.

Patrick Maxwell Stewart, Esq., M.P., *in the Chair.*

"The directors have much pleasure in again meeting the proprietors.

"They are enabled to lay before them a report of the operations of the first complete year of the bank, and they hope it will be found to justify the anticipations of success which were held out at their former meeting.

"The accounts have been made up to the 31st of December, the results of which, as shown in the annexed statement, enable the directors, after paying the current, and a portion of the preliminary expenses, to declare a dividend of 4 per cent. on the paid-up capital, and to keep a reserve fund for contingencies.

"It being evident from the increasing business of the bank, of which the above-mentioned result is the most satisfactory testimony, that the establishment was growing in public opinion, the directors deemed it advisable to promote this favourable disposition, by opening branches in those parts of the town which had hitherto been comparatively without the convenience of banks.

"Accordingly, on the 4th of January, branches of the establishment were opened in Bloomsbury and Whitechapel, and on the 29th ultimo a branch was opened in Southwark. Judging from the support which they have received during the short time they have been in operation, these branches appear to hold out every prospect of success.

"From the increase of business, both in the town and country departments, the directors have thought it expedient to obtain a larger amount of paid-up capital, and have accordingly made a call upon the proprietors for a further instalment of 5*l*. per share, payable on the 15th of April. In the present position of their affairs they do not anticipate the necessity of making any further call during the current year.

"The total number of shares issued on the 31st of December, 1835, was 17,818, and the directors have to acquaint the proprietors that in the course of the present year they have increased that number by the grant of 2,500 shares at par to large banking establishments in the country, with a view to strengthen and extend the connections of the bank. The amount of paid-up capital will thus be upwards of 400,000*l*. when the fourth call, due in April, is received.

"In reference to the measures mentioned in the last report as threatened by the Bank of England, the directors have now to state that the Bank of England has at length raised in a legal shape the question whether the London and Westminster Bank can accept the bills of their country and foreign customers drawn at less than six months after date or sight. It is a question which, however it may be determined, cannot arrest the successful progress of the bank. But the directors having commenced accepting from the origin of the establishment under the able advice of the present counsel of the Bank of England,—having since taken much pains to have the subject thoroughly elucidated,—and having engaged the most eminent counsel,— look with confidence to a favourable issue, and it is their anxious desire to obtain a decision as quickly as possible.

"The directors have further to state, that although the question in dispute is confined to the single point of accepting bills, the

Bank of England introduced into their proceedings against the London and Westminster Bank charges of violating the exclusive privilege of issuing notes possessed by the Bank of England. The directors are justified in condemning the resort to these charges, for the Bank of England have been obliged to abandon them altogether, and to admit that they had not any foundation. The directors much regret that such a course should have been adopted towards this establishment; but, as the main question at issue is still before a legal tribunal, they consider they will best discharge their duty by abstaining at present from any further comments on the subject.

"The directors, in pursuance of the power vested in them by the sixth clause of the deed of settlement, which provides that the number of directors shall be not more than twenty-four, nor less than twelve, have elected WM. HAIGH, Esq., THOMAS FARNCOMB, Esq., and JOSIAH JOHN GUEST, Esq., M.P., to be members of their board. The number of directors thus amounts to eighteen, which appears at present to be sufficient for conducting the business of the bank.

"The deed provides that three of the directors shall annually go out of office by rotation: the gentlemen on the present occasion are Sir THOMAS FREMANTLE, Bart., M.P., WM. HAIGH, Esq., and PEARSON THOMPSON, Esq., who offer themselves for re-election, with the recommendation of the board."

Dr. STATEMENT OF PROFITS. *Cr.*

	£	s.	d.		£	s.	d.
Payment towards Preliminary Expenses..	1,000	0	0	Undivided Profits on the year ending the 31st of Dec. 1834...	1,205	8	5
Dividend to the Proprietors of 4*l.* per cent. upon paid-up Capital...............	10,818	12	0	Net Profits of the year ending the 31st of Dec. 1835, after defraying the current Expenses............	15,020	10	0
Balance remaining of undivided Profits...	4,407	6	5				
	£16,225	18	5		£16,225	18	5

7. The following is a copy of the third annual report:—

Report of the Directors of the London and Westminster Bank, to the Proprietors, at their Third Annual Meeting, held March 1*st.* 1837.

"The directors have to lay before the proprietors the report of their management and transactions for the past year, being the third annual report of the London and Westminster Bank.

"The increase of the establishment during that period has been very considerable, inasmuch as the paid-up capital has been augmented to 597,255*l*., and the profits have kept pace with the capital.

"In addition to the 597,255*l*. capital, a sum of 41,998*l*. 10*s*. has been derived from premium on shares, the appropriation of which is stated in a special account, appended to the general statement. These shares, to the number of 9,333 were issued, as was made known by public advertisement, shortly after the last general meeting, at a premium of 4*l*. 10*s*. per share, and with a fourth call on the original shares, which fell due in April, completed the capital above stated; the total number of shares now appropriated amounts to 29,864 held by 782 proprietors, which presents a basis of stability and security which cannot be questioned.

"The accounts have been made up as usual to the 31st of December last, and the result is shown by the annexed statement.

"The directors have accordingly the pleasure to announce a dividend of 5 per cent. upon the paid-up capital, payable on Monday next.

"After the payment of this dividend, and after providing a fund to meet the probable loss upon all bad and doubtful debts, there will remain a surplus balance to the credit of profit and loss account of 7,027*l*. 0*s*. 6*d*.; from which must be deducted the amount of any vote that may be made for remuneration to the directors.

"Out of the sum raised by premium on shares, the directors have paid all the preliminary expenses incurred before the opening of the bank, as detailed in the first report; all the legal and other expenses since incurred, and not connected with the ordinary business of the bank (as hereafter detailed), and all the preliminary expenses of opening four new branches; after the payment of all these expenses, there will remain a surplus balance on this account of 20,003*l*. 19*s*. 5*d*.

"When the difficulties and derangements which have prevailed in the monetary and mercantile world for several months past are remembered, the result of the business transacted by the London and Westminster Bank, must be regarded as very favourable.

"The branches of the establishment now amount to five. One having been opened in St. Mary-le-bone, at No. 155. Oxford Street, since the last meeting of proprietors, and the whole of these, viz. in Westminster, Mary-le-bone, Bloomsbury, White-chapel, and Southwark, are in a prosperous state.

"The establishment is already much too large for the premises occupied by it in Throgmorton Street, and the increase of business has made this inconvenience to be very sensibly felt. The directors have accordingly taken measures for the purchase of spacious premises in the vicinity of their present offices. They have bought the freehold property lately occupied by Messrs. Pearce,

in Lothbury, for the sum of 14,250*l.*, and negotiations are in progress for the purchase of an adjoining building. Though it will be necessary to pull down the present houses, and to build anew, the situation is so eligible, and the site so ample for all the purposes and increasing prospects of the London and Westminster Bank, that the directors feel confident that the proprietors will sanction this outlay. As it has been already said, the great increase of business transacted by the bank made it absolutely necessary to extend its premises considerably; and when it is remembered that in the short period of seven years, the charter of the Bank of England must again be brought before the legislature, there cannot be a doubt that the law will then be framed so as to remove all impediments, and give just encouragement to great banking companies.

"The name of the London and Westminster Bank has been brought so much forward in connection with some of the recent occurrences in the money market, that the directors feel it to be their duty to advert to these somewhat in detail, in order to put the whole matter in a true and intelligible light.

"During the late heavy pressure, two joint stock banks having accounts with this establishment have been in difficulty; of one of them, the Agricultural and Commercial Bank of Ireland, it is unnecessary to say more than that it has already discharged the whole of its debt.

"To the other case, that of the Northern and Central Bank, it is incumbent on the directors to advert more particularly, in order to counteract the many erroneous statements that have been made respecting the connection of the London and Westminster Bank with that establishment.

"The Northern and Central Bank was instituted in Manchester in 1834. It consisted of 1204 partners, and a paid capital of nearly 800,000*l.* Proposals were made in the beginning of last year for opening an account between the two establishments.

"The solidity of the Northern and Central Bank was undoubted. It had taken advantage of the facilities of the London money market, to extend its business, somewhat too rapidly, and in removing its agency to the London and Westminster Bank, asked for liberal terms to meet any unforeseen emergency. The directors, with a view to the ultimate benefit that might arise from so extensive a connection, granted such terms. These were not, however, sufficient; the pressure, during the latter period of the year, having closed the market upon which the Northern and Central Bank had been accustomed to rely. It was, consequently, compelled to apply to the Bank of England for assistance. The Bank of England not doubting the solvency of the Northern and Central Bank, consented to advance the sum of 500,000*l.* on certain conditions; one of which was, that the debt due from the Northern and Central Bank to its London agents should be post-

poned till the advance of the Bank of England was repaid. The directors of the London and Westminster Bank, protesting against what they conceived to be a preference of creditors, did, however, assent to the arrangement, believing that it would be the means of placing the Northern and Central Bank, at an early period, in possession of its own funds. These expectations were not realised; fresh demands upon the Northern and Central Bank, in consequence of the notoriety of its negotiations with the Bank of England, rendered necessary a second application to that body. The required aid was offered on the same conditions as before. A right of control over the affairs of the Northern and Central Bank was also added, together with such powers as in effect placed the whole estate of the Northern and Central Bank in the hands of the Bank of England; by which arrangement the London and Westminster Bank might have been kept out of its funds for an unlimited period.

"To such conditions the directors demurred; and though they had the most perfect conviction of the solvency of the Northern and Central Bank itself, they felt it necessary to take such special security for the debt due from the Northern and Central Bank as would bring back their property within a reasonable time.

"Part of this security is already realised in their possession, and the whole debt will be recovered in July next, with interest at five per cent. from the time of its becoming due. The recent report of the directors of the Northern and Central Bank would lead us, however, to expect that we shall receive our debt at an earlier period without having recourse to these securities.

"In conclusion, the directors have to advert to the progress of the suit of the Bank of England against the London and Westminster Bank, for accepting bills at a shorter date than six months. As is publicly known, the case is now with the Master of the Rolls, before whom it was lately argued; and judging from the arguments, the directors await with confidence the forthcoming decision of his lordship.

"On this subject they repeat the words of their last report, viz., that however the question may be determined, it cannot arrest the successful progress of the bank.

"The directors have only further to call the attention of the proprietors to the retirement, provided by the deed of three of their body, from the direction, viz:

"Messrs. Joseph Esdaile; J. Stewart, M.P.; and Thomas Farncomb. These gentlemen being re-eligible, offer themselves accordingly."

PROFIT AND LOSS.

Dr.

	£	s.	d.
Payment of a Dividend of 5*l.* per cent. on the whole paid-up Capital of 597,255*l.* for one year..............................	29,864	0	0
Balance of unappropriated Profits........	7,027	0	6
	£36,891	0	6

Cr.

	£	s.	d.	£	s.	d.
Balance of unappropriated Profits, from the 31st of December, 1835..........	4407	6	5			
By Vote to the Directors at last General Meeting......	2500	0	0			
				1907	6	5
Profits of the year 1836, after paying all the current Expenses, and after providing a Fund to meet the probable loss on bad and doubtful Bills.................				32,298	17	6
Transfer from "Premium on Shares;" Interest at 5*l.* per cent. from the 1st of January to the 15th of April, upon 186,660*l.* the Capital of the 9333 Shares issued at 4*l.* 10*s.* premium on the 15th of April, but to receive Dividend by agreement from the 1st of January......				2684	16	7
				£36,891	0	6
Balance brought down........				£7,027	0	6

PREMIUM ON SHARES.

	£	s.	d.	Cr.	£	s.	d.
Transfer to Profit and Loss Account, Interest at 5 per cent. upon 186,660*l.* the Capital of 9333 Shares, issued at 4*l.* 10*s.* premium on the 15th of April, but to have Dividend from the 1st of January, 1836..........................	2684	16	7	Premium on 9333 Shares issued at 4*l.* 10*s.* premium, on the 15th of April, but to have the Dividend from the 1st of January, 1836.............	41,998	10	0
Discharge of the whole of the Preliminary Expenses, at the Head Office and Westminster Branch, previous to the opening of the Bank, the Preliminary and Law Expenses since incurred, and the Preliminary Expenses of four new Branches, as detailed below........	19,309	14	0				
Unappropriated Balance....................	20,003	19	5				
	£41,998	10	7		£41,998	10	0
				Balance brought down........	£20,003	19	0

PRELIMINARY EXPENSES.

				£	s.	d.
Account of the Preliminary Expenses of the London Office and the Westminster Branch, to the 31st of Dec. 1834, as detailed in the First Annual Report				10,635	12	10
Expenses since incurred, viz.—						
Solicitor's Account, not included in bills for current business	2685	1	0			
Tradesmen's Bills and Incidental Expenses..............................	537	18	9			
				3222	19	9
Preliminary Expenses for Four New Branches				6451	1	5
				20,309	14	0
Deduct — Paid off out of the Profits of 1835				1000	0	0
				£19,309	14	0

"The above report and statement having been read to the meeting by the secretary, it was unanimously resolved —

"1. That the report now read be received and printed, and circulated among the proprietors.

"2. That the thanks of the meeting be presented to the directors for their able and successful conduct; and that the sum of 2,500*l.* be awarded to them for their services during the past year.

"3. That John Stewart, Esq., M.P., Joseph Esdaile, Esq., and Thomas Farncomb, Esq., be re-elected directors.

"4. That the thanks of the proprietors be given to James William Gilbart, Esq., the general manager, to Oliver Vile, Esq., manager of the Westminster Branch, and to the other managers of the bank, for the zealous and effective manner in which they have discharged their official duties.

"5. That the thanks of the meeting be offered to Patrick Maxwell Stewart, Esq., M.P., for his able and courteous conduct in the chair.

"Extracted from the Minutes.

"FREDERICK NEALE, Secretary."

8. The following are the names of the directors and officers for 1837: —

Directors for 1837.

Henry Bosanquet, Esq.	William Haigh, Esq.
Frederick Burmester, Esq.	Henry Harvey, Esq., F.R.S.
Wm. Rt. Keith Douglas, Esq.	James Holford, Esq.
Joseph Esdaile, Esq.	Jon. Haworth Peel, Esq.
Thomas Farncomb, Esq.	Mat. Boulton Rennie, Esq
Sir Thomas F. Fremantle, Bart., M.P.	David Salomons, Esq.
Charles Gibbes, Esq.	Patrick Maxwell Stewart, Esq., M.P.
Josiah John Guest, Esq., M.P.	John Stewart, Esq., M.P.

Trustees.

Henry Bosanquet, Esq.
Frederick Burmester, Esq.
Joseph Esdaile, Esq.
Charles Gibbes, Esq.
Henry Harvey, Esq.

HEAD OFFICE, 38, THROGMORTON STREET.

James William Gilbart, *General Manager.*
William Thompson Henderson, *Sub-Manager.*
Frederick Neale, *Secretary.*
Joseph Tapp, *Chief Clerk.*

Westminster Branch, 9. Waterloo Place.
Oliver Vile, *Manager.*

Bloomsbury Branch, 213. High Holborn.
William Ewings, *Manager.*

Southwark Branch, 12. Wellington Street, Borough.
Edward Kingsford, *Manager.*

Eastern Branch, 87. High Street, Whitechapel.
Charles G. Rees, *Manager.*

St. Marylebone Branch, 155. Oxford Street.
Frederick Vulliamy, *Manager.*

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THE END.

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LONDON, JULY 1840.

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